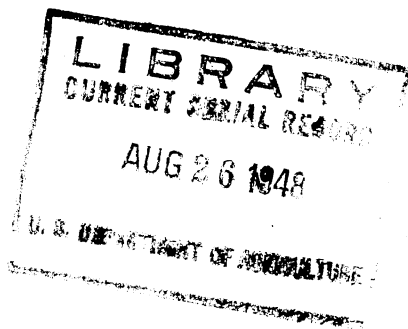


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TECHNICAL BULLETIN No. 961 • JULY 1948

Marketing and Manufacturing Margins for Hides and Skins Leather and Leather Products

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UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

EXPLANATION

This report is one of a series relating to marketing margins and costs for agricultural products by the Bureau of Agricultural Economics. It deals with the spread between prices of hides and skins and prices to consumers for the finished leather products, the charges or costs involved, and the possibilities of reducing them. Similar reports on textiles, tobacco, livestock and meats, dairy products, and grains were published in 1945, 1946, and 1947 as Technical Bulletins Nos. 891, 913, 932, 934, and 936, respectively. Studies of other important commodity groups are under way.

Another series of reports deals with the over-all spread between farm and retail prices for agricultural products over a period of years. Such a report on food products was published in 1945 as Miscellaneous Publication No. 576.

Information of this kind was greatly needed in the administration of war programs and now in the postwar period it is needed as a basis for developing a more efficient marketing, manufacturing, and distribution system for agricultural products.

The basic data presented are confined mainly to summaries of unpublished data assembled by war and other governmental agencies and to data obtained from other secondary sources. Substantial volumes of unpublished data on margins and costs for manufacturers and distributors of leather and leather products, obtained directly from manufacturing and distribution firms by governmental agencies, were made available for analysis and use in this report. Special acknowledgment is made of the assistance given by the following agencies: Office of Price Administration, Bureau of Labor Statistics, Federal Trade Commission, Department of Commerce, Tanners' Council of America, Wholesale Dry Goods Institute, Inc., and National Retail Dry Goods Association.

Unpublished data obtained from the Office of Price Administration; The Bureau of Labor Statistics, Labor Department, and the Federal Trade Commission were made available to the Department of Agriculture for use only as an industry summary in order not to disclose the identity of any individual concern.



UNITED STATES
DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C.

Marketing and Manufacturing Margins for Hides and Skins, Leather, and Leather Products¹

By L. D. HOWELL, *agricultural economist*

Bureau of Agricultural Economics

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INTRODUCTION

Problems relating to adjustments to peacetime conditions emphasize a long-existing need for additional information relating to marketing and manufacturing margins for hides and skins, leather, and leather products. Such information is needed as a basis for determining appropriate relative prices at different stages of the marketing and manufacturing procedure and for making adjustments in margins. The urgency of the needs for such information is emphasized by the appointment by both the Senate and House of Representatives, during the second session of the Seventy-eighth Congress, of committees to investigate marketing margins and costs for agricultural products and by the passage of the Research and Marketing Act of 1946.

Information relating to marketing and manufacturing margins or costs is of even greater long-time importance, as it is basic to the most effective treatment of the problems of increasing the efficiency and of

¹ Submitted for publication April 9, 1948.

reducing the costs of the services involved. These margins or costs for hides and skins, leather, and leather products influence the returns to producers of the raw hides and skins, on the one hand, and the costs of the finished leather products to consumers, on the other. The relative importance of these margins or costs is indicated by data showing that, in 1939, the average margins for assembling hides, and for processing, manufacturing, and distributing leather footwear amounted on the average to about seven-eighths of the costs to consumers of the finished products and were about seven times as great as the value of the hides and skins used.

The margins or spreads between the prices to producers of the hides and skins and the prices paid by consumers for the finished leather products usually cover the costs of rendering such services as assembling, selling, and processing the hides and skins and storing, financing, manufacturing, transporting, wholesaling, and retailing the leather and leather products. Detailed data are given in this bulletin to show the margins or costs for the various groups of services and the items of cost included. These data, along with other information, are used as a basis for indicating the means by which, and the extent to which, it would be feasible to increase the efficiency and to reduce the costs of rendering these services, and the relative importance of such reductions.

Raw materials consumed annually by the leather and leather products industries in the United States include large numbers of hides and skins. During the 5 years 1935-39 annual consumption averaged about 21,612,000 cattle hides, 13,257,000 calf and kip skins, 35,794,000 sheep and lamb skins, and 42,931,000 goat and kid skins. Annual consumption of these hides and skins increased considerably during the late 1930's and early 1940's but the rate decreased in the early postwar period (5).²

MARKETING CHANNELS AND DIVISION OF CONSUMER'S DOLLAR

Available information relating to marketing channels through which hides and skins, leather, and leather products move and to the kinds and extent of processing or manufacturing involved is incomplete. Most of the cattle hides and calf and kip skins that enter marketing channels in the United States are produced in this country, but most of the sheep, lamb, goat and kid skins and horsehides are imported. Leather used by leather-products manufacturers in the United States is confined mainly to that tanned, curried, and finished by domestic tanneries. Leather products distributed in this country are confined mainly to those produced by domestic manufacturers.

MARKETING CHANNELS

Taking hides and skins from farms, ranches, local butchers, and packing plants and delivering the finished leather products to ultimate consumers involves the services of many types of middlemen. These services begin with the sale of country hides and skins by farmers,

² Italic numbers in parentheses refer to Literature Cited, p. 86.

ranchmen, and local butchers and of packer hides and skins by meat packers. During the 5 years 1935-39, imports accounted for about 12 percent of the number of cattle hides (fig. 1), 24 percent of the calf and kip skins, 59 percent of the sheep and lamb skins, and almost all the goat and kid skins used by domestic tanneries.³ Imports of most kinds of hides and skins increased early in the 1940's but imports of cattle hides and calfskins decreased markedly with war developments in 1944 and 1945 (5).

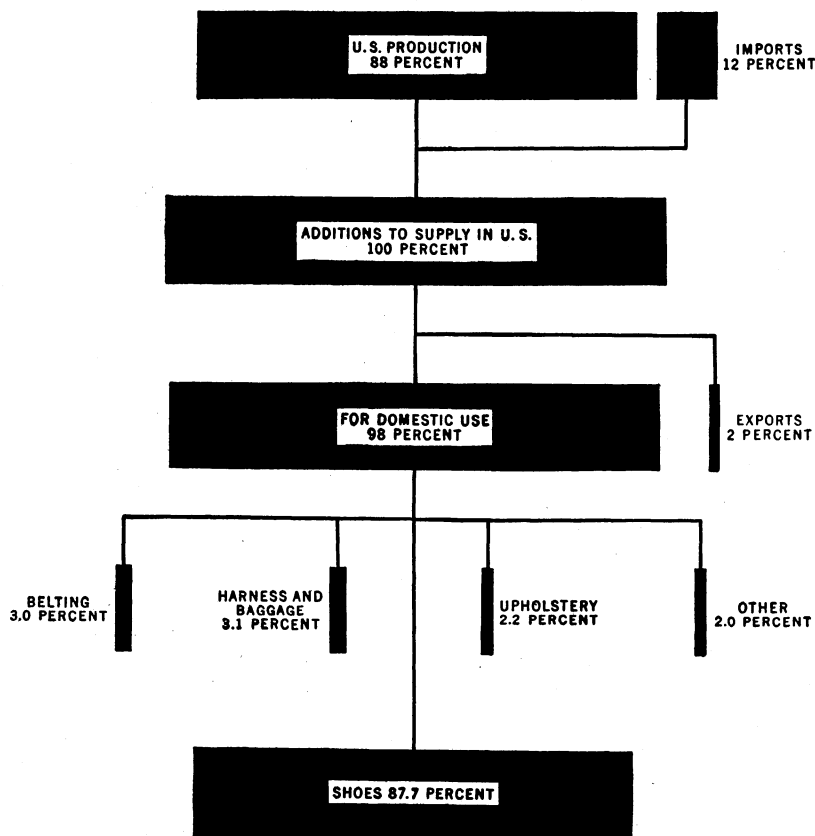


FIGURE 1.—APPROXIMATE DISTRIBUTION OF CATTLE HIDES AND THEIR PRODUCTS IN THE UNITED STATES, 1935-39

Most of the additions to the supply of cattle hides in the United States were produced in this country, but during the 5 years 1935-39 about 12 percent of the total number was imported. During this period, exports totaled about 2 percent and the remaining 98 percent was retained for domestic use. Most of the cattle-hide leather is used in making shoes but relatively small quantities are used in belting, harness and baggage, upholstery, and other products.

³ UNITED STATES BUREAU OF FOREIGN AND DOMESTIC COMMERCE. LEATHER RAW MATERIALS BULLETIN. v. 5 (US) No. 6. June 10, 1940, (Processed.)

Country hides and skins are said to make up about one-third of the total produced in the United States (3). A common practice in marketing country hides and skins is for the farmer, ranchman, or local butcher to sell to junk dealers or to local buyers. Junk dealers and local buyers usually sell to traveling buyers who in turn sell to the larger dealers in hides and skins. In more direct or consignment marketing, farmers, ranchmen, junk dealers, and local buyers sell direct to the larger dealers who sell through brokers or the tanners' buyers to the tanner. Meat packers usually sell their hides and skins through brokers or tanners' buyers, or direct to the tannery.

Exports of hides and skins from the United States account for only a small proportion of total disappearance. During the 5 years 1935-39, for example, exports of cattle hides amounted to about 2 percent of total disappearance (fig. 1). Exports of calf, kip, sheep, lamb, goat, and kid skins amounted to only a small fraction of 1 percent of total disappearance during this period. Early in the 1940's exports of hides and skins from this country were greatly reduced.

Most of the hides and skins available in the United States are tanned, curried, and finished by domestic tanneries. During the 5 years 1935-39, for example, domestic tanners accounted for about 98 percent of the total disappearance of cattle hides (fig. 1), and the corresponding proportions for all kinds of skins combined was even greater than that for cattle hides. The finished leather is distributed directly, or indirectly through wholesalers and jobbers, to leather-products manufacturers, some of whom are integrated with the tanning industry.

Leather used by manufacturers of leather products in this country is limited chiefly to that produced by domestic tanners. In 1939, exports amounted to about 3.8 percent and imports to about 2.8 percent of the value of the leather manufactured in this country, but these exports and imports were greatly reduced during the early 1940's. The principal exports were goat and kid, calf and kip, cattle side, and patent upper leather and glove and garment leather. Imports included, among other leathers, calf and kip upper and lining, glove, belting, upholstery, patent, sheep and lamb, goat and kid, and sole leather (20).

Information relating to the proportion of the total quantity of leather accounted for by specific end uses is not complete. But data on United States consumption of domestic tanned cattle-hide leather, by end uses, show that on the average during the 5 years 1935-39, about 89.5 percent was used in shoes, 3.1 percent in belting, 1.4 percent in harness leather, 1.8 percent in luggage, 2.2 percent in upholstery, and 2 percent in other products (table 1). These proportions are fairly typical of those for more recent years. Similar data relative to uses made of other leather are not available.

Leather products distributed in this country are mostly those produced by domestic manufacturers. In 1939, imports of these products amounted to about 0.6 percent and exports from this country amounted to about 1 percent of the total value of those produced by domestic manufacturers. Both imports and exports were greatly reduced during the early 1940's. Footwear and gloves were the principal items imported and the main items exported were footwear, women's handbags, and leather belting (20).

TABLE 1.—*Consumption of domestic tanned cattle-hide leather, by uses, United States, 1922-42*

Year	Number of hides used for—						
	Shoes	Belting	Har- ness	Lug- gauge	Uphol- stery	Other	Total
	<i>Thou- sands</i>	<i>Thou- sands</i>	<i>Thou- sands</i>	<i>Thou- sands</i>	<i>Thou- sands</i>	<i>Thou- sands</i>	<i>Thou- sands</i>
1922-----	21, 047	1, 072	755	608	711	632	24, 825
1923-----	21, 647	1, 402	738	618	754	750	25, 909
1924-----	21, 009	2, 121	633	526	615	782	25, 686
1925-----	19, 466	958	664	602	713	567	22, 970
1926-----	20, 282	1, 047	575	579	566	717	23, 766
1927-----	19, 416	912	569	584	537	511	22, 529
1928-----	16, 270	874	378	418	498	437	18, 875
1929-----	17, 296	1, 001	331	471	402	353	19, 854
1930-----	14, 424	733	245	365	215	328	16, 310
1931-----	15, 159	549	179	320	245	299	16, 751
1932-----	14, 177	229	207	207	189	210	15, 219
1933-----	16, 833	439	300	231	175	300	18, 278
1934-----	17, 278	596	377	320	265	350	19, 186
1935-----	19, 389	720	425	400	373	452	21, 759
1936-----	20, 336	713	401	385	523	417	22, 775
1937-----	19, 404	845	330	414	539	481	22, 013
1938-----	18, 580	446	181	311	399	374	20, 291
1939-----	20, 157	628	226	401	554	504	22, 470
1940-----	18, 650	704	251	384	597	561	21, 147
1941-----	25, 552	1, 067	322	577	705	787	29, 010
1942-----	26, 990	1, 236	379	928	431	1, 109	31, 073

Adapted from BLUE BOOK OF THE SHOE AND LEATHER INDUSTRY, 29TH EDITION (6).

Most of the leather products go directly from manufacturers, or indirectly through wholesalers and jobbers, to retailers for distribution to ultimate consumers. In 1939, more than half of the finished products were distributed directly from manufacturers to retailers, including chains. Substantial proportions of these products were distributed directly from manufacturers, or indirectly through manufacturer-owned and manufacturer-operated outlets, to wholesalers and jobbers who in turn distributed them to retailers.

DIVISION OF CONSUMER'S DOLLAR

The values of the products are enhanced greatly by the conversions and services rendered in assembling the hides and skins, tanning and finishing the leather, manufacturing or fabricating the leather products, and in wholesaling and retailing them. Therefore, returns to farmers, ranchmen, local butchers, and meat packers for the hides and skins used account for only a relatively small proportion of the costs of the finished products to consumers. Estimates were made, based on official data and on other information, to show the average distribution of the consumer's dollar that was paid for leather shoes, for example, in 1939—the last “normal” prewar year. As the data available for this purpose are not complete and in some instances

are not strictly comparable, some liberties were taken in approximating the margins on the basis of these data and other information.

Approximations were made to show the average distribution of the consumer's dollar paid for shoes on the basis of the agency making the conversions or rendering the services. The results show that, on the average, about 13.7 percent of the consumer's dollar was accounted for by the costs to tanners of hides and skins used,⁴ 10.2 percent went to tanners for tanning the hides and currying and finishing the leather, 36.2 percent to shoe manufacturers, 4.7 percent to wholesalers, and 35.2 percent to retailers (fig. 2). Processors' and manufacturers' margins accounted for about 46 percent and distributors' margins for 40 percent of the retail value of the products. In many instances the proportions of the consumer's dollar returned to producers of hides and skins (particularly to farmers, ranchmen, and local butchers) are substantially less than that accounted for by costs of these materials to tanners.

**APPROXIMATE AVERAGE DISTRIBUTION OF THE CONSUMER'S DOLLAR PAID FOR
LEATHER SHOES, UNITED STATES, 1939***

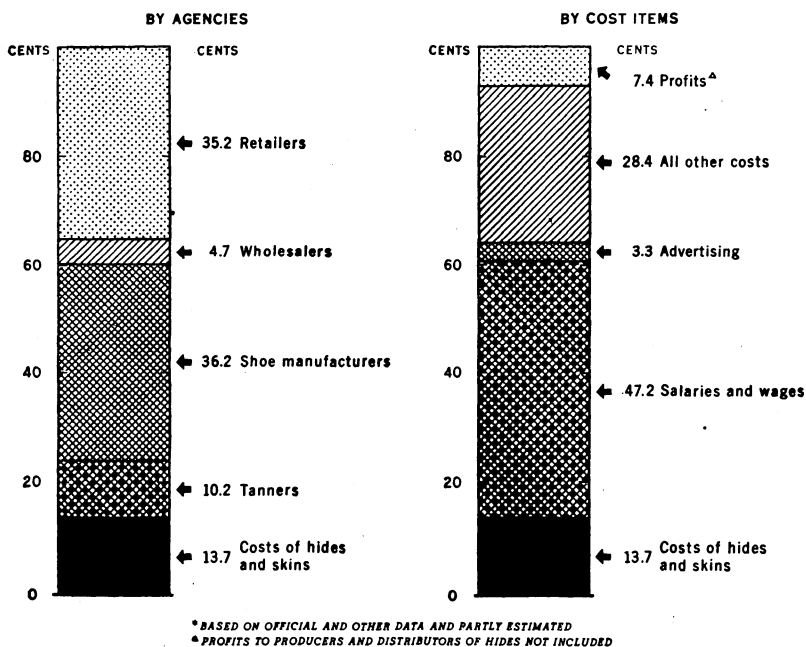


FIGURE 2.—Estimates of the distribution of the consumer's dollar paid for shoes indicate that in 1939 about 39.9 percent went to wholesalers and retailers, 36.2 percent went to shoe manufacturers, 10.2 percent to tanners, and 13.7 percent for costs of the hides and skins used. Salaries and wages paid by manufacturers and distributors accounted for 47.2 percent; advertising, 3.3 percent; all other manufacturing and distribution costs, 28.4 percent; and profits to manufacturers and distributors, 7.4 percent.

⁴ The information available is not adequate for estimating the approximate proportion of the consumer's dollar paid for leather products that is accounted for by returns to farmers and ranchmen for the hides and skins used.

Information relating to specific items of cost is not complete and in some instances the data for the various agencies are not comparable, but rough approximations based on such data as are available indicate that, in 1939, wages and salaries paid by tanners, manufacturers, and distributors accounted for about 47 percent of the retail value of the shoes (fig. 2). Costs of advertising averaged 3.3 percent and profits to all agencies except hide and skin producers and distributors averaged 7.4 percent of the retail price of the finished products. All other costs of processing, manufacturing, and distribution averaged about 28 percent of the retail value.

The proportions of the consumer's dollar accounted for by gross margins for the different agencies vary somewhat with changes in costs of the hides and skins and in prices of leather and leather products. Changes in costs of hides and skins, as reflected in Bureau of Labor Statistics indexes of primary market prices of these commodities, advanced sharply from 1935 to 1937, declined precipitously to 1938, advanced sharply to 1942, and then varied irregularly during the war period. Indexes of prices paid by consumers for shoes trended slowly upward from 1935 to 1941, advanced sharply to 1942, and continued to advance through 1946. Wholesale price indexes for leather and shoes advanced sharply from 1935 to 1937, reacted in 1938, then advanced to 1942, flattened out during the war, and increased markedly in 1946.

The proportions of the consumer's dollar paid for shoes that were accounted for by costs of hides and skins and by tanners', manufacturers', and distributors' margins, as shown for 1939, were projected backward to 1935 and forward to 1946 on the basis of indexes of the Bureau of Labor Statistics for wholesale prices of hides and skins, leather, and shoes, and for retail prices of shoes.⁵ The results show that the proportion of the consumer's dollar accounted for by the costs of the hides and skins used averaged about 15 percent during the period 1935-46 and ranged from about 12 percent in 1938 to 18 percent in 1937 (fig. 3). These proportions varied directly with prices of hides and skins. Tanners' margins averaged 8.6 percent of the consumer's dollar and ranged from 7.2 percent in 1942 to 10.9 percent in 1938. Shoe manufacturers' margins averaged 36.2 percent of the retail price during this period and ranged from 32.7 percent in 1946 to 38.3 percent in 1941. Wholesalers' and retailers' margins averaged about 40 percent of the retail price and ranged from 37 percent in 1941 to 43.4 in 1945.

These data, which show the proportion of the consumer's dollar accounted for by margins for the different agencies and for the different items of cost, supply a basis for indicating the relative importance of bringing about both increased efficiency and reductions in costs for the agencies and cost items involved. According to these data the margins for processors and manufacturers of leather and leather products averaged more than three times as great, those for wholesalers and retailers of the products averaged about three times as great, and wages and salaries paid by tanners, manufacturers, and distributors

⁵ The projected margins do not take into account any changes in the proportions of the materials used that were accounted for by leather nor any failure of the indexes used to reflect accurately the changes in values of the products included in the break-down for 1939.

averaged more than three times as great, as the returns to producers for the hides and skins used. Combined profits to all agencies except hide and skin producers and distributors averaged more than one-half the returns to producers for the hides and skins used.

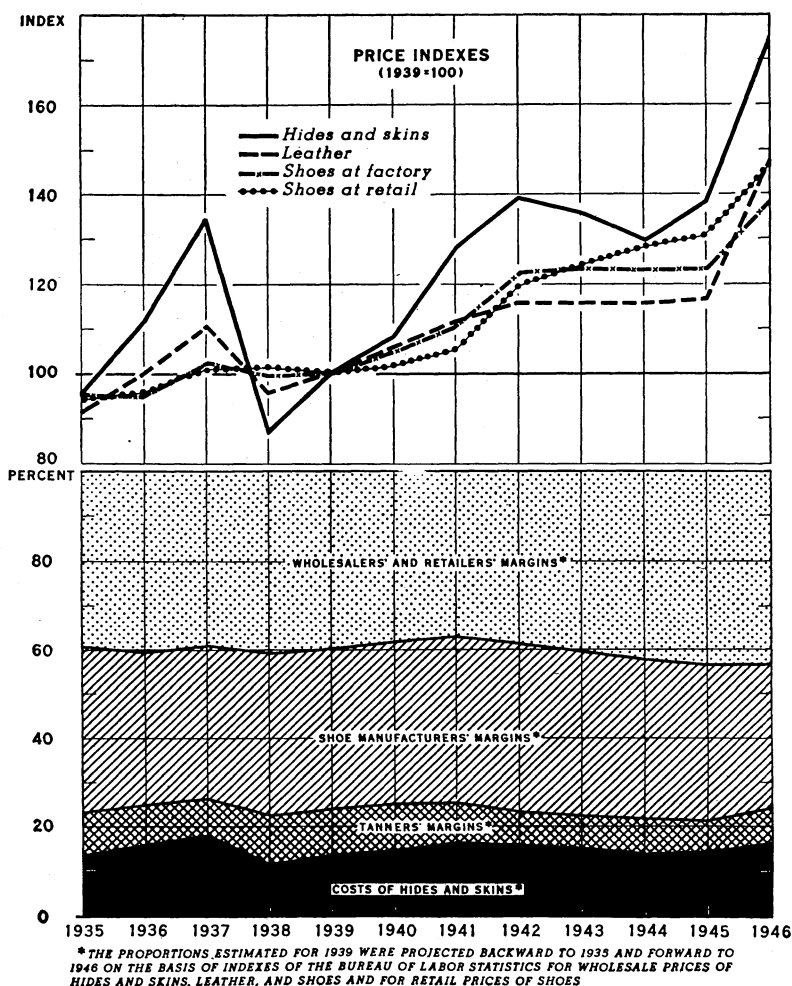


FIGURE 3.—APPROXIMATE DISTRIBUTION OF CONSUMER'S DOLLAR PAID FOR SHOES, UNITED STATES, BY YEARS, 1935-46.

During the 12-year period 1935-46, the proportion of the consumer's dollar paid for shoes accounted for by manufacturers' and distributors' margins averaged about 85 percent and ranged from 82 percent in 1937 to 88 percent in 1938. The proportions accounted for by costs of hides and skins and by wholesalers' and retailers' margins increased, while the proportions accounted for by tanners' and shoe manufacturers' margins decreased, in recent years.

Differences in the size of the margins are important considerations but such differences may not reflect accurately the relative opportunities for making savings in costs or charges that could be passed back to

producers of the hides and skins or on to consumers of the finished leather products. Some indications of the extent to which it would be possible and feasible to reduce these margins or costs may be obtained from an examination of detailed information for the agencies involved. Such information relating to margins and costs and means of reducing them is presented in this bulletin in about the order in which the services are rendered, beginning with the marketing of hides and skins.

MARKETING MARGINS FOR HIDES AND SKINS

Marketing margins include the charges made for assembling country hides and skins from farms, ranches, and local butchers and delivering them to tanners; for taking hides and skins from meat-packing plants and delivering them to tanners; and for handling imported hides and skins. Information relating to the number of hides and skins marketed in the United States is not complete, but the approximate number and source are indicated by data as to the number of animals slaughtered, the number of deaths, and the number of hides and skins imported (table 2). The number of cattle hides imported into the United States in 1939, for example, totaled about one-fifth of the total number of cattle that were slaughtered and that died in this country that year. The proportion increased to almost one-half in 1941 and then declined with war and postwar developments to less than 5 percent in 1945. Much larger proportions of the total supplies of calf and sheep and lamb skins in this country than of cattle hides are imported (table 2).

"Country" hides and skins include those from animals that have died from disease, accident, or other natural causes as well as those from animals slaughtered by farmers, ranchmen, and local butchers. Those from animals slaughtered in wholesale meat-packing establishments are referred to as "packer" hides and skins, and include those from federally inspected plants and those from other wholesale plants. The number of animals that died and that were slaughtered on farms and in retail establishments accounted for about 30 percent of the total number of cattle, calves, and sheep and lambs that died and that were slaughtered in this country in 1939, for example; and the proportions ranged from 24 percent for cattle to 39 percent for calves. These proportions varied considerably from year to year.

USUAL PRACTICES

Country hides and skins are taken off the animals by farmers, ranchmen, and local butchers. These men usually are not experienced in skinning, so the hides and skins are not treated in a careful and efficient manner with respect to skinning, curing, and marketing. Consequently, the yields of leather from such hides and skins are comparatively low and the leather can have only a rather limited use. Packer hides and skins are taken off at meat-packing establishments where the slaughtering and skinning of animals are done on a wholesale basis (3). In the larger packing plants the hides and skins are removed by specialists; then they are selected for uniformity and cured. Usually they are free from salt stains and excess salt or pickle.

Therefore, the products are of uniform selection, of good pattern and trim, and have relatively few imperfections, making possible maximum yields of leather of best quality (§).

TABLE 2.—*Number of animals slaughtered at specified places, deaths, and hides and skins imported, by kind of animal, United States, 1929, 1934, and 1939-47*

Kind of animal and year	Animals slaughtered ¹				Deaths ²	Hides ³ and skins imported	Total
	Federally inspected	Other wholesale and retail	On farms	Total			
	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands
Cattle:							
1929-----	8, 324	3, 254	460	12, 038	1, 097	5, 508	18, 643
1934-----	9, 943	4, 300	828	15, 071	1, 437	1, 337	17, 845
1939-----	9, 446	4, 604	571	14, 621	1, 298	3, 247	19, 166
1940-----	9, 743	4, 644	571	14, 958	1, 397	4, 583	20, 938
1941-----	10, 932	4, 916	571	16, 419	1, 461	8, 733	26, 613
1942-----	12, 340	5, 047	646	18, 033	1, 560	6, 075	25, 668
1943-----	11, 721	5, 416	708	17, 845	1, 734	4, 548	24, 127
1944-----	13, 955	5, 035	854	19, 844	1, 734	2, 967	24, 545
1945-----	14, 531	6, 244	916	21, 691	1, 644	882	24, 217
1946-----	11, 402	7, 479	943	19, 824	1, 566	1, 304	22, 694
1947-----	15, 524	6, 009	860	22, 393	1, 471	1, 270	25, 134
Calves:							
1929-----	4, 489	2, 290	627	7, 406	1, 795	8, 726	17, 927
1934-----	6, 078	3, 043	985	10, 106	2, 157	2, 088	14, 351
1939-----	5, 264	3, 172	755	9, 191	1, 935	3, 914	15, 040
1940-----	5, 358	3, 003	728	9, 089	1, 992	2, 280	13, 361
1941-----	5, 461	3, 107	684	9, 252	2, 118	3, 606	14, 976
1942-----	5, 760	3, 317	641	9, 718	2, 349	2, 380	14, 447
1943-----	5, 209	4, 111	620	9, 940	2, 560	2, 425	14, 925
1944-----	7, 769	5, 749	724	14, 242	2, 772	1, 922	18, 936
1945-----	7, 020	5, 884	741	13, 645	2, 680	938	17, 263
1946-----	5, 841	5, 569	758	12, 168	2, 573	465	15, 206
1947-----	7, 933	5, 194	630	13, 800	2, 469	615	16, 884
Sheep and lambs:							
1929-----	14, 023	2, 997	463	17, 483	6, 196	25, 499	49, 178
1934-----	16, 055	3, 583	806	20, 444	7, 089	14, 229	41, 762
1939-----	17, 241	3, 776	597	21, 614	6, 629	28, 729	56, 972
1940-----	17, 349	3, 651	571	21, 571	6, 714	24, 425	52, 710
1941-----	18, 122	3, 605	582	22, 309	7, 369	42, 143	71, 821
1942-----	21, 624	3, 383	578	25, 585	6, 983	37, 328	69, 896
1943-----	23, 363	3, 134	576	27, 073	7, 656	34, 500	69, 229
1944-----	21, 875	2, 918	562	25, 355	7, 051	42, 290	74, 696
1945-----	21, 218	2, 850	571	24, 639	5, 908	36, 441	66, 988
1946-----	19, 884	2, 350	580	22, 814	5, 448	38, 465	66, 727
1947-----	16, 667	1, 540	559	18, 766	5, 000	21, 428	45, 194

¹ Data for 1940 and later excludes slaughter in Hawaii and Virgin Islands.

² Estimated by Bureau of Agricultural Economics.

³ From reports of Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

Tanneries usually are the destination of almost all hides and skins. The marketing job is to take these products from farms, ranches, local butchers, and meat packers and deliver them to tanneries as desired. Tanners specialize, as a rule, in the kinds of leather produced and they require a certain degree of uniformity in the hides and skins they use. As tanners are usually not in a very good position to assemble and handle all kinds and classes of hides and skins, the assembling and sorting into classes are usually done by other agencies. The extremely scattered sources of the relatively small individual production of country hides and skins emphasize the need for assembling and classification by other agencies before sale to tanners. Packers, on the other hand, deal in large numbers of hides and skins. Consequently they can assort and classify them in marketable lots and sell them directly or indirectly through brokers to tanners.

Methods of marketing hides and skins vary considerably. A common practice in marketing country hides and skins is for farmers, ranchmen, and local butchers to sell to local buyers, including peddlers, produce dealers, general stores, junk collectors, and feed stores. Local buyers and small wholesale butchers sell to traveling buyers who buy in small lots for the larger dealers. In more direct or consignment marketing, farmers, ranchmen, local butchers, small wholesale butchers, and local buyers sell direct to the larger dealers. The large dealers and meat packers usually sell their hides and skins through brokers or through the tanners' buyers to tanners (3).

Country hides and skins usually pass through several hands before reaching the tanner, but information on the relative importance of the immediate outlets is incomplete. Data assembled by the Federal Trade Commission relative to sales of nine meat-packing companies show that of the total cattle-hide and calfskin sales of these companies, about 33 percent was sold to leather and tanning companies, 29 percent through brokers and commission houses, 24 percent to hide and skin dealers and jobbers, 13 percent to boot, shoe, and other manufacturers, and small proportions to the United States Government and to export (table 3). The proportions distributed through these channels by individual companies ranged widely (22).

The sources of the supply of hides and skins bought by dealers and brokers are indicated by data relating to the domestic cattle-hide purchases of 15, and the domestic calfskin purchases of 13, hide and skin dealers in 1935 (table 4). Seven of these 15 companies bought hides and skins only for their own account, 5 handled hides and skins on a brokerage or commission basis exclusively, and 3 bought for their own account and also conducted a brokerage and commission business. About 54 percent of the cattle hides and about 34 percent of the calfskins were handled on a brokerage or commission basis (22).

An examination of the data in table 4 shows that about 61 percent of the cattle hides and about 50 percent of the calfskins bought by these dealers and brokers were obtained from meat packers. Dealers in country hides and skins supplied almost 15 percent of the cattle hides and 19 percent of the calfskins purchased. Other important sources included brokers, farmers (direct through reporting companies' own buyers), country slaughterhouses, and slaughterhouses other than country (excluding meat-packing companies).

TABLE 3.—*Cattle-hide and calfskin sales of 9 meat-packing companies,¹ by channels of distribution, fiscal year, 1934 or 1935²*

Channels of distribution	Cattle-hide and calfskin sales	
	Pounds ³	Percentage of total
Leather and tanning companies (not owned or controlled by reporting companies) -----	127, 715, 375	33. 0
Brokers and commission houses -----	113, 255, 882	29. 3
Hide and skin dealers and jobbers -----	92, 725, 487	23. 9
Boot, shoe, and other manufacturers -----	50, 080, 877	12. 9
United States Government -----	1, 034, 190	. 3
Exported -----	2, 301, 146	. 6
Total sales of cattle hides and calfskins -----	387, 112, 957	100. 0

¹ Includes the following companies and their domestic subsidiaries: Swift & Co.; Armour & Co.; Wilson & Co., Inc.; the Cudahy Packing Co.; John Morrell & Co.; Kingan & Co., Inc.; George A. Hormel & Co.; Jacob Dold Packing Co.; and Hygrade Food Products Corp.

² Of the 9 companies, 8 reported sales for the fiscal years ended from Oct. 26 to Nov. 2, 1935; 1 reported sales for the fiscal year ended Oct. 27, 1934.

³ Includes 338,574,015 pounds of cattle hides and 48,538,942 pounds of calfskins.

Reproduced from FEDERAL TRADE COMMISSION, AGRICULTURAL INCOME INQUIRY, PT. I, PRINCIPAL FARM PRODUCTS (22 p. 1,023).

All but 2 of the 15 companies bought cattle hides from meat packers, 9 from country hide and skin dealers, 6 from brokers, 3 from other slaughterhouses, and 4 from slaughterhouses other than country (excluding meat-packing companies). Ten of the 13 companies that handled calfskins reported purchases from meat packers, 9 from country hide and skin dealers, 3 from country slaughterhouses, and 5 from slaughterhouses other than country (excluding meat-packing companies) (22).

Data relating to the channels of distribution for cattle-hide sales of 16, and for calfskin sales of 14, hide and skin dealers and brokers show that in 1935 almost 77 percent of the cattle hides and more than 83 percent of the calfskins were sold to leather and tanning companies (table 5). The remaining 23 percent of the cattle hides and 17 percent of the calfskins were sold to shoe-manufacturing and other companies. Nearly 53 percent of the total cattle hides and 34 percent of the calfskins were sold on a brokerage or commission basis.

The proportion of the total sales of hides and skins by these brokers and dealers that was distributed through the specified channels varied considerably from one reporting company to another. All companies reported sales through leather and tanning companies and the proportions distributed through this outlet ranged from 47 to 99 percent for cattle hides and from 14 to 100 percent for calfskins; 13 of the 16 reporting sold cattle hides, and 5 of the 14 sold calfskins, through shoe-manufacturing companies which operated tanning plants. The

TABLE 4.—*Domestic cattle-hide purchases of 15, and domestic calfskin purchases of 13, hide and skin brokers and dealers*¹ *including hides and skins handled on a brokerage or commission basis, by sources of supply, calendar or fiscal year 1935*²

Sources of supply	Domestic cattle-hide and calfskin purchases including quantities handled on a brokerage or commission basis ³			
	Cattle hides ⁴		Calfskins ⁵	
	Pounds	Per-centage of total	Pounds	Per-centage of total
Purchased from or handled on commission for:				
Farmers (direct through reporting companies' own buyers)-----	1, 605, 743	0. 27	403, 702	0. 58
Country slaughterhouses-----	31, 874, 939	5. 32	9, 418, 899	13. 47
Slaughterhouses other than country (excluding meat-packing companies)-----	26, 640, 282	4. 45	4, 730, 819	6. 77
Brokers-----	75, 861, 673	12. 66	231, 318	. 33
Country hide and skin dealers----	87, 705, 876	14. 64	13, 298, 295	19. 03
Meat-packing companies-----	364, 118, 676	60. 78	34, 974, 186	50. 04
Retail—meat markets-----	1, 877, 561	. 31	5, 702, 030	8. 16
Commodity exchange-----	7, 832, 409	1. 31		
All other sources-----	⁶ 1, 528, 785	. 26	⁷ 1, 134, 303	1. 62
Total domestic cattle-hide and calfskin purchases-----	599, 045, 944	100. 00	69, 893, 552	100. 00

¹ Includes cattle-hide purchases of the following companies and their domestic subsidiaries: Bissinger & Co.; B. Gross Co., Inc.; Consolidated Rendering Co.; Charles Friend & Co., Inc.; Darling & Co.; H. Elkan & Co.; David D. Mindel Co.; Lapham Bros. & Co.; A. L. Webster & Co.; J. C. Andresen & Co., Inc.; Sig. Adler & Co.; J. A. Middleton & Co.; Proctor, Ellison Co.; E. Rauh & Sons Co.; and Schmoll Fils Association, Inc. Includes calfskin purchases of all the foregoing companies, except Lapham Bros. & Co. and Proctor, Ellison Co.

² Of the 15 companies that handled cattle hides, 12 reported purchases for the calendar year 1935, 1 for the fiscal year ended Oct. 31, 1935, and 2 for the fiscal year ended Dec. 28, 1935. Of the 13 companies that handled calfskins, 11 reported purchases for the calendar year 1935 and 2 for the fiscal year ended Dec. 28, 1935.

³ Includes 335,605,304 pounds of cattle hides and 22,283,810 pounds of calfskins handled on a brokerage or commission basis. Of the reporting companies, 1 reported purchases of both hides and skins in pieces. For this company, the Commission converted pieces into pounds by using conversion ratios furnished by the company itself: namely, 50 pounds per piece for cattle hides and 15 pounds per piece for calfskins.

⁴ Total cattle-hide purchases, 649,428,148 pounds (599,045,944 pounds, or 92.24 percent domestic hides, and 50,382,204 pounds, or 7.76 percent, imported hides).

⁵ Total calfskin purchases, 77,628,980 pounds (69,893,552 pounds, or 90.03 percent domestic skins, and 7,735,428 pounds, or 9.97 percent, imported skins).

⁶ Includes 1,445,271 pounds purchased from State institutions.

⁷ Includes purchases from State institutions amounting to 69,630 pounds.

Reproduced from FEDERAL TRADE COMMISSION, AGRICULTURAL INCOME INQUIRY, PT. I, PRINCIPAL FARM PRODUCTS (22, p. 1,024).

proportions of total sales distributed through this outlet ranged from 1 to 39 percent for cattle hides and from 1 to 32 percent for calfskins (22).

TABLE 5.—*Cattle-hide sales of 16 and calfskin sales of 14 hide and skin brokers and dealers,¹ by channels of distribution, calendar or fiscal year 1935²*

Channels of distribution	Sales of cattle hides and calfskins, including brokerage and commission sales ³			
	Cattle hides		Calfskins	
	Pounds	Per-centage of total	Pounds	Per-centage of total
Leather and tanning companies.....	509, 359, 016	76. 82	65, 459, 852	83. 44
Shoe-manufacturing companies operating tanning plants.....	53, 200, 726	8. 02	2, 392, 603	3. 05
All other companies.....	100, 525, 777	15. 16	10, 600, 710	13. 51
Total cattle-hide and calfskin sales.....	663, 085, 519	100. 00	78, 453, 165	100. 00

¹ Includes cattle-hide sales of the Finnigan Hide Co.; Brissinger & Co.; B. Gross Co., Inc.; Consolidated Rendering Co.; Charles Friend & Co., Inc.; Darling & Co.; H. Elkan & Co.; David D. Mindel Co.; Lapham Bros. & Co.; A. L. Webster & Co.; J. C. Andresen & Co., Inc.; Sig. Adler & Co.; J. A. Middleton & Co.; Proctor, Ellison Co.; E. Rauh & Sons Co.; and Schmoll Fils Association, Inc. Includes calfskin sales of all foregoing companies, except Lapham Bros. & Co. and Proctor, Ellison Co.

² Of the 16 companies selling cattle hides, 13 reported sales for the calendar year 1935, 1 for the fiscal year ended Oct. 31, 1935, and 2 for the fiscal year ended Dec. 28, 1935. Of the 14 selling calfskins, 12 reported sales for the calendar year 1935 and 2 for the fiscal year ended Dec. 28, 1935.

³ Includes brokerage and commission sales amounting to approximately 351,252,449 pounds of cattle hides and about 26,547,466 pounds of calfskins.

Reproduced from FEDERAL TRADE COMMISSION, AGRICULTURAL INCOME INQUIRY, PT. I, PRINCIPAL FARM PRODUCTS (22, p. 1026).

Census reports show that in 1939 net sales of hides, skins, and raw furs by 320 assemblers totaled \$13,950,000, about 63 percent of which went to wholesalers and 33 percent to industrial users. Similar data for 686 service and limited-function wholesalers show net sales of \$193,688,000, about 70 percent of which went to industrial users, 21 percent to other wholesalers, and small proportions to other outlets (18). About 12 percent of the assemblers and 21 percent of the wholesalers sold through agents, brokers, and commission merchants, and about 14 and 9 percent, respectively, of their total sales were made through these intermediaries. Results of cash-credit analysis of sales by wholesalers show that about 47 percent of total sales were made on credit for more than 30 days, 36 percent for spot cash, and 17 percent on credit for 30 days or less (18).

CHARGES-OR COSTS

The available information relative to marketing margins or costs for hides and skins is limited. Reports indicate that the marketing of country hides and skins is characterized by much lost motion and inefficiency, that market prices of country hides and skins vary from 1 to 9 cents per pound below the prices of comparable classes and grades of packer hides and skins, and that prices to some farmers and small butchers vary from 5 to 15 cents a pound below those quoted for similar products on the market (3).

A part of these differences is accounted for by differences in quality. Data relating to prices of hides at Chicago, compiled from annual reports of the Chicago Board of Trade, show that during the 5-year period, 1935-39, prices of country hides from heavy steers averaged 9.0 cents per pound, which was about two-thirds of those for packer hides from heavy native steers. During the 1935-47 period, Chicago prices of country hides from heavy steers ranged from 55 percent in 1935 to 87 percent in 1942-45 of the corresponding prices of packer hides from heavy native steers. More or less similar differences are shown between country hides from heavy cows and packer hides from heavy native cows and between country hides from bulls and packer hides from native bulls (table 6).

TABLE 6.—Average price per pound at Chicago of specified kinds of country and packer hides, United States, 1935-47

Year	Country hides			Packer hides		
	Heavy steer	Heavy cow	Bull	Heavy native steer	Heavy native cow	Native bull
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
1935.....	7. 19	6. 87	5. 43	12. 97	10. 51	9. 08
1936.....	8. 72	8. 44	6. 88	13. 77	11. 96	9. 63
1937.....	11. 61	11. 27	9. 05	16. 95	15. 36	12. 55
1938.....	7. 73	7. 41	5. 75	11. 61	10. 13	8. 05
1939.....	9. 13	8. 70	6. 76	12. 13	11. 63	8. 64
1940.....	9. 27	8. 88	6. 09	12. 50	12. 20	8. 94
1941.....	11. 68	11. 30	7. 34	14. 49	14. 31	11. 18
1942.....	13. 50	13. 00	9. 83	15. 50	15. 50	12. 00
1943.....	13. 50	13. 00	10. 25	15. 50	15. 50	12. 00
1944.....	13. 50	13. 00	10. 25	15. 50	15. 50	12. 00
1945.....	13. 50	13. 00	10. 25	15. 50	15. 50	12. 00
1946.....	14. 72	14. 25	11. 52	18. 55	18. 41	14. 21
1947.....	17. 22	17. 35	12. 85	27. 25	26. 77	19. 37

Bureau of Agricultural Economics. Compiled from annual reports of the Chicago Board of Trade.

The usual practice is to sell packer hides and skins "basis Chicago freight" to the tanners, or to other buyers. This apparently means that packers pay the freight to Chicago from westward points, to equalize it to tanning destinations, as though the shipment originated in Chicago (13). Prices to packers in Chicago are the same as those

paid by tanners for hides and skins in that market. Data as to freight and other costs of getting hides from packers to tanners are not available.

Census reports relating to the wholesaling of hides, skins, and raw furs show that, in 1939, operating expenses of assemblers averaged 7.7 percent of net sales. Those for agents and brokers averaged 2.3 percent, and those for wholesalers 8.2 percent of net sales. The proportion of net sales accounted for by operating expenses of wholesalers increased from 5.2 percent for those with annual volumes of sales of more than \$2,000,000 to 18.6 percent for those with annual volumes of sales of less than \$10,000 (table 7).

TABLE 7.—*Total sales and operating expenses of wholesalers of hides, skins, and raw furs, United States, 1939*

Business-size group (annual sales in dollars)	Establishments reported	Total sales	Operating expenses	
			Total amount	Proportion of sales
	<i>Number</i>	<i>1,000 Dollars</i>	<i>1,000 Dollars</i>	<i>Percent</i>
All.....	609	158, 206	12, 779	8. 1
2,000,000 and over.....	7	38, 773	1, 997	5. 2
1,000,000—1,999,999.....	19	26, 545	1, 619	6. 1
500,000—999,999.....	39	27, 372	2, 254	8. 2
300,000—499,999.....	53	20, 150	1, 909	9. 5
200,000—299,999.....	66	16, 550	1, 739	10. 5
100,000—199,999.....	115	16, 531	1, 816	11. 0
50,000—99,999.....	119	8, 624	939	10. 9
10,000—49,999.....	132	3, 354	449	13. 4
Under 10,000.....	59	307	57	18. 6

Adapted from CENSUS OF BUSINESS: 1939, WHOLESALE TRADE (18).

These expenses of wholesalers include wages and salaries of employees but they do not include compensation for active proprietors of unincorporated businesses. The ratio of the number of active proprietors of unincorporated businesses to the number of employees is much less for the larger than for the smaller wholesalers. If adjustments were made in operating expenses to include payments to active proprietors of unincorporated businesses, the decreases in proportion of total sales accounted for by operating expenses of wholesalers with increases in annual volume of sales would be greater than those indicated by census reports.

Data relating to the items included in operating expenses of wholesalers of hides, skins, and raw furs are limited mainly to those for wholesalers with annual volumes of sales of \$100,000 or more. Census data for these wholesalers show that in 1939, administrative expenses accounted, on the average, for about one-third, and selling expenses for 18 percent of the total (table 8). Warehouse and occupancy expenses each accounted for about 14 percent, and all other expenses accounted for about 21 percent of the total operating expenses. The proportion of net sales accounted for by most of the items of expense decreased with increases in annual volume of sales (18).

TABLE 8.—Operating expenses of wholesale merchants whose sales of hides, skins, and raw furs amounted to \$100,000 or more, United States 1939

Business-size group (annual sales in dollars)	Establishments reported	Volume of sales	Operating expenses as proportions of sale ¹							Active proprietors of unincorporated businesses
			Total	Administration	Selling	Delivery	Warehouse	Occupancy	Other	
All-----	Number 142	1,000 dollars 65, 838	Percent 8. 7	Percent 2. 9	Percent 1. 6	Percent 0. 4	Percent 1. 2	Percent 1. 2	Percent 1. 4	Number 96
1,000,000 and over-----	15	29, 396	6. 9	2. 3	1. 3	. 2	1. 0	. 7	1. 4	7
500,000-999,999-----	17	11, 325	9. 1	2. 9	1. 9	. 4	1. 3	1. 4	1. 2	9
300,000-499,999-----	24	9, 184	9. 6	2. 8	1. 6	. 8	1. 1	1. 4	1. 9	21
200,000-299,999-----	33	8, 236	11. 2	4. 5	1. 5	. 5	1. 4	2. 1	1. 2	24
100,000-199,999-----	53	7, 697	10. 8	3. 6	2. 0	1. 0	1. 4	1. 8	1. 0	35

¹ Operating expenses include no compensation for active proprietors of unincorporated businesses.

Adapted from CENSUS OF BUSINESS: 1939, WHOLESALE TRADE (18).

MEANS AND IMPORTANCE OF REDUCING COSTS

Country hides and skins could be marketed to better advantage if more care and skill were used in removing them from the animals, in salting and curing them, and in bundling and shipping them so as to preserve their quality (3). Improvements could be made and the costs of marketing reduced by selling these products on a graded or selected basis and by avoiding many of the profit-absorbing intermediary agencies through more direct marketing. The relative importance of reducing the costs of marketing hides and skins may be indicated by data showing that operating expenses of assemblers and wholesalers averaged about 8 percent of the selling price or about 1 percent of the retail value of the finished products.

MARGINS FOR MANUFACTURING AND DISTRIBUTING LEATHER

Leather and leather-products manufacturers, as listed in census reports, are made up of two subgroups. One subgroup includes establishments which tan hides and skins and curry and finish leather. The other subgroup includes establishments which use leather and leather products in the manufacture of leather products. Only the first subgroup is considered in this part of the report.

The number of hides and skins tanned and finished by domestic tanneries and the quantities of specific kinds of leather produced vary considerably (table 9). The number of cattle hides tanned ranged from about 19 million in 1929 to almost 31 million in 1942. Most of the cattle hides are made into shoe leather but some are used in the production of leather for belting, harness, saddles, bags, cases, straps, upholstery, and in other uses. The number of calf and kip skins tanned ranged from 10.8 million in 1946 to about 15.4 million in 1929, goat and kid skins decreased from 55.7 billion in 1929 to 24 million in 1945, and total sheep and lamb leathers produced increased from 34.4 million in 1934 to 59.3 million in 1943.

USUAL PRACTICES

Most of the establishments primarily engaged in tanning hides and skins and in currying and finishing leather operate on hides and skins owned by them and are referred to in census reports as regular factories or jobbers engaging contractors. Other establishments are primarily engaged in manufacturing or currying and finishing leather on contract from hides and skins owned by others. They are referred to as contract factories. Some of the regular factories, including jobbers who engage contractors, do some manufacturing on a contract basis and some establishments that are classified as contract factories manufacture relatively small quantities of leather from hides and skins owned by themselves.

Leather and tanning companies usually obtain most of their hides and skins from meat-packing companies, brokers, and dealers in hides and skins (22). Information relative to the cattle-hide purchases of 11 leather and tanning companies and 3 shoe-manufacturing companies that operate tanning plants shows that in 1935, for example, the combined purchases of these companies totaled 582,672,666 pounds

TABLE 9.—*Leather production of specified kinds, in 1,000 hides, United States, 1929, 1934, and 1939-47*

Year	Cattle hide leat' ers							
	Shoe sole	Shoe upper	Belt- ing and mechan- ical	Har- ness and saddlery	Bag and case strap	Uphol- stery	All others	Total
	Thou- sands	Thou- sands	Thou- sands	Thou- sands	Thou- sands	Thou- sands	Thou- sands	Thou- sands
1929-----	7, 258	9, 282	990	510	473	414	218	19, 146
1934-----	7, 106	10, 688	663	591	333	237	152	19, 771
1939-----	7, 833	12, 124	531	477	387	510	233	22, 095
1940-----	7, 032	11, 582	675	524	382	601	272	21, 070
1941-----	9, 080	15, 600	1, 064	650	581	699	448	28, 121
1942-----	10, 432	15, 598	1, 213	637	936	386	1, 625	30, 828
1943-----	8, 290	13, 073	1, 292	632	800	231	1, 338	25, 656
1944-----	8, 420	13, 002	1, 439	613	629	232	1, 818	26, 152
1945-----	8, 525	14, 567	1, 324	556	572	272	1, 750	27, 566
1946-----	8, 519	14, 065	1, 165	507	912	399	1, 465	27, 032
1947-----	8, 924	15, 529	1, 134	440	813	529	1, 455	28, 824

Year	Calf, kip, goat, kid, sheep and lamb leathers							
	Calf and kip	Goat and kid	Sheep and lamb leathers				Total sheep and lamb	Total from all skins
			Glove and gar- ment	Shoe	Shear- lings	All others		
	Thou- sands	Thou- sands	Thou- sands	Thou- sands	Thou- sands	Thou- sands	Thou- sands	Thou- sands
1929-----	15, 364	55, 686	8, 636	17, 752	3, 991	7, 986	38, 365	109, 415
1934-----	12, 442	44, 982	15, 010	10, 512	2, 880	6, 009	34, 411	91, 835
1939-----	14, 027	40, 419	18, 420	11, 604	2, 563	6, 327	38, 914	93, 360
1940-----	11, 387	37, 697	17, 725	9, 966	3, 322	6, 907	37, 920	87, 004
1941-----	13, 098	45, 373	22, 542	14, 166	5, 779	9, 428	51, 915	110, 386
1942-----	12, 264	41, 127	19, 459	14, 983	9, 596	9, 591	53, 629	107, 020
1943-----	11, 112	37, 351	20, 415	15, 474	11, 210	12, 216	59, 315	107, 778
1944-----	10, 930	34, 653	20, 370	15, 040	6, 690	11, 876	53, 976	99, 559
1945-----	11, 636	24, 026	17, 294	17, 153	6, 508	11, 495	52, 450	88, 112
1946-----	10, 882	24, 137	15, 781	13, 349	9, 923	8, 918	47, 971	82, 990
1947-----	12, 471	37, 188	11, 265	12, 498	5, 409	7, 363	36, 535	86, 194

Adapted from HIDE AND LEATHER AND SHOES. ANNUAL REVIEW AND PREVIEW NUMBER. Vol. 114, No. 27 (1947). 139 pp., illus., and TANNERS COUNCIL OF AMERICA.

of cattle hides, of which about 12 percent was imported and 88 percent was of domestic origin. Of the domestic cattle-hide purchases, about one-third was obtained from meat-packing plants, one-third from brokers, and slightly less than one-third from dealers in hides and skins (table 10). Small quantities were obtained from other sources.

TABLE 10.—*Domestic cattle-hide purchases of 11 leather and tanning companies ¹ and 3 shoe manufacturing companies operating tanning plants ² by sources of supply, calendar, or fiscal year 1935 ³*

Sources of supply	Domestic cattle-hide purchases					
	11 leather and tanning companies ⁴		3 shoe-manufacturing companies		Total 14 companies	
	Pounds ⁵	Percent-age of total	Pounds ⁶	Percent-age of total	Pounds	Percent-age of total
Meat-packing companies-----	133, 124, 678	35. 80	38, 315, 896	27. 11	171, 440, 574	33. 40
Brokers-----	109, 783, 428	29. 52	61, 372, 471	43. 42	171, 155, 899	33. 35
Hide and skin dealers-----	127, 272, 770	34. 22	40, 443, 853	28. 61	167, 716, 623	32. 68
Leather and tanning companies (not owned or controlled by reporting companies)-----	1, 199, 537	. 32	1, 220, 850	. 86	2, 420, 387	. 47
Junk dealers and rendering plants-----	517, 635	. 14	-----	-----	517, 635	. 10
Total purchases of domestic cattle hides-----	371, 898, 048	100. 00	141, 353, 070	100. 00	513, 251, 118	100. 00

¹ Includes the following companies and their subsidiaries: American Hide & Leather Co.; American Oak Leather Co.; Elkland Leather Co.; Fred Rueping Leather Co.; Griess-Pfleger Tanning Co.; J. Greenbaum Tanning Co.; J. K. Mosser Leather Corp.; Howes Bros. Co.; Monarch Leather Co.; National Leather Co.; and United States Leather Co.

² Includes the following companies and their domestic subsidiaries: International Shoe Co.; Endicott-Johnson Corp.; and Brown Shoe Co., Inc.

³ Of the 11 leather and tanning companies, 4 reported purchases for the calendar year and 7 for the fiscal year 1935. Fiscal years reported ended as follows: June 30 for 2 companies, Oct. 31 for 2 companies, Nov. 2 for 2 companies, and Dec. 27 for 1 company.

For the 3 shoe-manufacturing companies, 1 reported purchases for the fiscal year ended Oct. 31, 1935, and 2 for the fiscal year ended Nov. 30, 1935.

⁴ Of the 11 leather and tanning companies, 2 reported estimated quantities bought.

⁵ Total purchases, 404,105,531 pounds (371,898,048 pounds, or 92.03 percent, domestic hides, and 32,207,483 pounds, or 7.97 percent, imported hides).

⁶ Total purchases, 178,567,135 pounds (141,353,070 pounds, or 79.16 percent, domestic hides and 37,214,065 pounds, or 20.84 percent, imported hides).

Reproduced from FEDERAL TRADE COMMISSION, AGRICULTURAL INCOME INQUIRY, PART I, PRINCIPAL FARM PRODUCTS (22).

Each of the 11 leather and tanning companies reported purchases of domestic cattle hides from dealers, 8 from meat packers, and 7 from brokers (22). The proportions of total purchases of these hides obtained through these sources ranged widely. Each of the three shoe-manufacturing companies bought domestic hides through brokers and from hide and skin dealers, and two made purchases from meat packers. The proportions of total purchases obtained from these sources ranged from 5 to 52 percent from brokers and from 15 to 68 percent through hide and skin dealers (22).

Data relative to calfskin purchases of six leather and tanning companies show that, in 1935, about 8 percent of total purchases was imported and 92 percent was of domestic origin (22). Most of the domestic skins were obtained from meat packers and from dealers in hides and skins (table 11). Incomplete data relative to calfskin

TABLE 11.—*Domestic calfskin purchases of 6 leather and tanning companies,¹ and 2 shoe-manufacturing companies operating tanning plants,² by sources of supply, calendar or fiscal year 1935³*

Sources of supply	Domestic calfskin purchases		
	6 leather and tanning companies ⁴		2 shoe-manufacturing companies
	Pounds ⁵	Percentage of total	Percentage of total ⁶
Meat-packing companies.....	24, 589, 070	54. 65	87. 07
Hide and skin dealers.....	12, 747, 951	28. 33	9. 68
Brokers.....	7, 465, 306	16. 59	3. 25
Leather and tanning companies (not owned or controlled by reporting companies).....	170, 000	. 38	-----
Junk dealers and rendering plants.....	24, 551	. 05	-----
Total purchase of domestic calfskins.....	44, 996, 878	100. 00	100. 00

¹ Includes for following companies and their subsidiaries: American Hide & Leather Co., Griess-Pfleger Tanning Co., Fred Rueping Leather Co., J. Greenbaum Tanning Co., National Leather Co., and United States Leather Co.

² Includes International Shoe Co., and Endicott-Johnson Corp. and domestic subsidiaries.

³ Of the 6 leather and tanning companies, 1 reported purchases for the calendar year 1935; 2 for the fiscal year ended June 30, 1935; 2 for the fiscal year ended Oct. 31, 1935; and 1 for the fiscal year ended Dec. 27, 1935. The 2 shoe-manufacturing companies reported purchases for the fiscal year ended Nov. 30, 1935.

⁴ Of the 6 leather and tanning companies, 1 reported estimated pounds purchased.

⁵ Total calfskin purchases: 48,805,205 pounds (44,996,878 pounds, or 92.2 percent domestic skins, and 3,808,327 pounds, or 7.8 percent imported skins).

⁶ Pounds omitted in order to avoid revealing confidential information.

Reproduced from FEDERAL TRADE COMMISSION, AGRICULTURAL INCOME INQUIRY, PT. I (22).

purchases of two shoe-manufacturing companies that operated tanning plants show that 87 percent was obtained from meat packers, almost 10 percent from hide and skin dealers, and 3 percent from brokers. The proportions of the purchases of individual companies obtained from these sources ranged widely.

Most of the leather produced by leather and tanning companies is distributed directly, or indirectly through wholesalers and jobbers, to industrial users. Census reports relating to the distribution of manufacturers' sales for establishments tanning hides and skins and currying and finishing leather show that, in 1939, about 60 percent of total sales were distributed to industrial users, 18 percent through outlets owned and operated by the manufacturers, almost 18 percent to wholesalers and jobbers, and small proportions to other outlets (15). Most of the sales through outlets owned and operated by the manufacturers and also those made to wholesalers and jobbers were in turn distributed to industrial users (18). About 32 percent of the leather and tanning companies sold through agents, brokers, and commission merchants, and 22 percent of total net sales were made through these intermediaries.

The relative importance of the channels of distribution for leather may be obtained from data of 10 leather and tanning companies relating to sales of cattle shoe leather and data of 5 companies relating to sales of calf shoe leather, as reported by the Federal Trade Commission. The combined cattle and calf shoe-leather sales of these companies were estimated at about 16 percent of total domestic production. These data show that, in 1935, about 58 percent of the cattle shoe-leather and 83 percent of the calf shoe-leather sales of these companies were made directly to shoe manufacturers (table 12). About 28 percent of the cattle shoe leather was sold to leather cutters and about 12 percent of the cattle and calf shoe leather was sold to wholesalers and jobbers. The proportions sold through the different channels of distribution varied considerably from one company to another.

Similar data relating to sales of cattle leather, other than shoe leather, of six leather and tanning companies show that, in 1935, almost 16 percent of the cattle leather was sold to shoe manufacturers, 84 percent was sold to other industrial consumers, and less than 1 percent was sold to all other consumers and distributors (table 13). Data relating to sales of calf leather, other than shoe leather, of three leather and tanning companies show that, in 1935, almost 89 percent of this leather was sold to industrial consumers other than leather companies, tanners, leather cutters, and shoe manufacturers. The other 11 percent was sold to other consumers and distributors.

CHARGES OR COSTS

Census reports show that the manufacturers' margins—or the spread between the values of the products and the costs of the materials, supplies, and containers—for establishments primarily engaged in tanning hides and skins and currying and finishing leather, in 1939, averaged 36 percent of the value of the products for regular factories and 67.3 percent for contract factories (table 14). These reports do not indicate how much of the combined costs of materials, supplies,

and containers was accounted for by the costs of hides and skins. According to supplementary data supplied by Irving R. Glass of the Tanners' Council of America, the costs of hides and skins amounted to 57.5 percent of the total value of the tanners' production in 1939. These data show that the spread between the costs of the hides and skins and the value of the finished leather averaged 42.5 percent of the value of the products in 1939.

TABLE 12.—*Cattle shoe-leather sales of 10,¹ and calf shoe-leather sales of 5 leather and tanning companies,² by channels of distribution, calendar or fiscal year 1935³*

Channels of distribution	Cattle and calf shoe-leather sales ⁴			
	Cattle shoe leather		Calf shoe leather	
	Pounds	Per-centage of total	Pounds	Per-centage of total
Leather and tanning companies (not owned or controlled by reporting companies)-----	1, 719, 918	0. 33	891	0. 01
Brokers and commission houses-----	1, 311, 318	. 60	73, 455	1. 18
Wholesale merchants and jobbers-----	25, 637, 956	11. 74	757, 180	12. 16
Leather cutters-----	60, 116, 055	27. 53		
Shoe manufacturers-----	126, 671, 616	58. 02	5, 141, 978	82. 55
Other industrial consumers (excluding leather companies, tanners, leather cutters, and shoe manufacturers)-----	2, 358, 541	1. 08		
Exported-----	935, 500	. 43	254, 700	4. 09
All other consumers and distributors-----	594, 616	. 27	833	. 01
Total sales of cattle and calf shoe leather-----	218, 345, 520	100. 00	6, 229, 037	100. 00

¹ Includes the following companies and their subsidiaries: American Hide & Leather Co., American Oak Leather Co., Elkland Leather Co., Fred Rueping Leather Co., Griess-Pfleger Tanning Co., J. Greenbaum Tanning Co., J. K. Mosser Leather Corp., Howes Bros. Co., Monarch Leather Co., National Leather Co., and United States Leather Co.

² Includes for following companies and their subsidiaries: American Hide & Leather Co., Griess-Pfleger Tanning Co., Fred Rueping Leather Co., J. Greenbaum Tanning Co., National Leather Co., and United States Leather Co.

³ Of the 10 companies reporting cattle shoe-leather sales, 4 reported sales for the calendar year and 6 for the fiscal year 1935. Fiscal years reported ended as follows: June 30 for 1 company, Oct. 31 for 2 companies, Nov. 2 for 2 companies, and Dec. 27 for 1 company. Of the 5 reporting calf shoe-leather sales, 1 reported sales for the calendar year 1935, 1 for the fiscal year ended June 30, 2 for the fiscal year ended Oct. 31, and 1 for the fiscal year ended Dec. 27, 1935.

⁴ Of the 10 companies reporting cattle shoe-leather sales, 2 reported estimated quantities sold.

Reproduced from UNITED STATES FEDERAL TRADE COMMISSION, AGRICULTURAL INCOME INQUIRY, PT. I, PRINCIPAL FARM PRODUCTS (22, p. 1030).

TABLE 13.—*Sales of cattle leather other than shoe leather of 6,¹ and calf leather other than shoe leather of 3 leather and tanning companies,² by channels of distribution, calendar or fiscal year 1935³*

Channels of distribution	Sales of cattle and calf leather other than shoe leather ⁴			
	Cattle leather ⁵		Calf leather ⁶	
	Pounds	Per-centage of total	Pounds	Per-centage of total
Shoe manufacturers-----	1, 833, 652	15. 56	-----	-----
Other industrial consumers (excluding leather companies, tanners, leather cutters, and shoe manufacturers)-----	9, 842, 575	83. 51	242, 071	89. 24
All other consumers and distributors-----	109, 600	. 93	29, 200	10. 76
Total sales of cattle and calf leather other than shoe leather-----	11, 785, 827	100. 00	271, 271	100. 00

¹ Includes the following companies and their subsidiaries: American Hide & Leather Co., American Oak Leather Co., Fred Rueping Leather Co., J. K. Mosser Leather Corporation, National Leather Co., and the United States Leather Co.

² Includes the following companies and their subsidiaries: American Hide & Leather Co., Fred Rueping Leather Co., and the National Leather Co.

³ Of the 6 companies reporting cattle leather sales, 1 reported sales for the calendar year 1935 and 5 for the fiscal year 1935. Fiscal years ended as follows: June 30 for 1 company, Oct. 31 for 2 companies, Nov. 2 for 1 company and Dec. 27 for 1 company. The 3 companies that sold calf leather reported sales for the fiscal years ended June 30, Oct. 31, and Dec. 27, 1935, respectively.

⁴ Of the 6 companies reporting cattle-leather sales, 1 reported estimated quantities sold.

⁵ Includes all leather made from cattle hides, except shoe leather.

⁶ Includes all leather made from calfskins, except shoe leather.

Reproduced from UNITED STATES FEDERAL TRADE COMMISSION. AGRICULTURAL INCOME INQUIRY, PT. I, PRINCIPAL FARM PRODUCTS (22, p. 1,031).

Data made available by the Federal Trade Commission for 15 tanners with total sales of \$109,812,000, or 36 percent of total sales as indicated by census reports for 1939, and for 37 tanners with total sales of \$159,262,000 in 1940, show that the margin or spread between total sales and material costs averaged 38.5 percent of total sales in 1939 and 34 percent in 1940 (table 15). The proportions of material costs reported that were accounted for by costs of hides and skins are not indicated. Similar data for 8 tanning companies, with total sales in 1939 of \$20,104,000, or about 7 percent of the total reported by the Bureau of the Census, show that the spread between net sales and material costs during the 10-year period 1936-45, averaged about 44.6 percent of net sales and ranged from 42.5 percent in 1945 to 49 percent in 1939 (table 16). The proportions of net sales accounted for by the tanners' gross margins decreased with war developments and averaged about 42.5 percent in 1944 and 1945.

TABLE 14.—*Value of products, costs, and margins for establishments tanning hides and skins and currying and finishing leather, United States, 1939.*

Item	Regular factories		Contract factories	
	1,000 dollars	Per cent	1,000 dollars	Per cent
Value of products.....	329,728	100.0	16,710	100.0
Costs of materials, supplies, and containers.....	211,064	64.0	5,462	32.7
Gross margins.....	118,664	36.0	11,248	67.3
Salaries and wages.....	61,657	18.7	7,609	45.6
Salaried officers.....	3,852	1.2	752	4.5
Manufacturing salaries.....	6,015	1.8	594	3.6
Manufacturing wages.....	50,570	15.3	6,213	37.2
Distribution.....	1,044	.3	50	.3
Other.....	176	.1	---	---
Fuel.....	3,497	1.1	452	2.7
Purchased electric energy.....	1,511	.5	230	1.4
Contract work.....	6,669	2.0	158	.9
Other ¹	45,330	13.7	2,799	16.7
Number of establishments.....	335		111	

¹ Includes depreciation, interest, insurance, rent, taxes, profits, and other expenses.

Abstracted from or based on census of manufactures: 1939 (19).

TABLE 15.—*Sales, costs, and margins for corporations primarily engaged in tanning, currying, and finishing leather, United States, 1939 and 1940*

Item	1939		1940	
	1,000 dollars	Per cent	1,000 dollars	Per cent
Total sales.....	109,812	100.0	159,262	100.0
Material costs.....	67,501	61.5	105,113	66.0
Gross margin.....	42,311	38.5	54,149	34.0
Production wages and salaries.....	17,047	15.5	24,526	15.4
Depreciation.....	923	.8	1,433	.9
Taxes and social security.....	1,702	1.6	2,230	1.4
Other operating expenses ¹	11,349	10.3	11,148	7.0
Goods purchased for resale.....	141	.1		
Selling expense.....	3,715	3.4	5,574	3.5
Advertising.....	204	.2	319	.2
Administrative and general office.....	2,167	2.0	3,344	2.1
Provisions for uncollectable accounts.....	201	.2	319	.2
Net profits.....	4,862	4.4	5,256	3.3
Number of corporations reported.....	15		37	

¹ Includes costs of repair and maintenance, and the expense of research and development.

Abstracted from or based on reports of FEDERAL TRADE COMMISSION. INDUSTRIAL CORPORATIONS PRIMARILY ENGAGED IN TANNING, CURRYING, AND FINISHING LEATHER, published in 1941 and 1942 (processed.)

TABLE 16.—*Net sales, costs, and margins for 8 establishments tanning hides and skins, United States, 1936-45*¹

Item	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>
Net sales.....	20, 595	23, 691	16, 333	20, 104	22, 260	34, 251	49, 555	51, 472	49, 407	52, 283
Material cost.....	11, 397	13, 487	8, 781	10, 248	12, 302	18, 833	27, 288	28, 769	28, 383	30, 043
Gross margin.....	9, 198	10, 204	7, 552	9, 856	9, 958	15, 418	22, 267	22, 703	21, 024	22, 240
Direct labor.....	3, 063	3, 302	2, 559	3, 184	3, 193	4, 496	6, 137	7, 006	6, 660	7, 381
Manufacturing overhead.....	3, 947	4, 313	4, 092	4, 700	4, 690	6, 568	8, 625	9, 942	9, 033	9, 887
Advertising and selling expense.....	779	787	722	805	782	1, 067	1, 274	1, 226	1, 162	1, 284
General and administration expense.....	155	198	229	291	251	308	391	424	458	489
Executive salaries and bonuses.....	184	190	180	196	232	345	459	519	643	687
Net operating profit.....	1, 070	1, 414	² 230	680	810	2, 634	5, 381	3, 586	3, 068	2, 512
Proportion of net sales										
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Net sales.....	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0
Material cost.....	55. 3	56. 9	53. 8	51. 0	55. 3	55. 0	55. 1	55. 9	57. 4	57. 5
Gross margin.....	44. 7	43. 1	46. 2	49. 0	44. 7	45. 0	44. 9	44. 1	42. 6	42. 5
Direct labor.....	14. 9	14. 0	15. 7	15. 8	14. 3	13. 1	12. 4	13. 6	13. 5	14. 1
Manufacturing overhead.....	19. 1	18. 2	25. 0	23. 4	21. 1	19. 2	17. 4	19. 3	18. 3	18. 9
Advertising and selling expense.....	3. 8	3. 3	4. 4	4. 0	3. 5	3. 1	2. 6	2. 4	2. 4	2. 5
General and administration expense.....	. 8	. 8	1. 4	1. 4	1. 1	. 9	. 8	. 8	. 9	. 9
Executive salaries and bonuses.....	. 9	. 8	1. 1	1. 0	1. 0	1. 0	. 9	1. 0	1. 3	1. 3
Net operating profit.....	5. 2	6. 0	² 1. 4	3. 4	3. 7	7. 7	10. 8	7. 0	6. 2	4. 8

¹ The data were obtained from company records by OPA Accounting Department.² Loss.

Adapted from OFFICE OF TEMPORARY CONTROLS. SURVEY OF LEATHER TANNERS, SHOE MANUFACTURERS, AND WHOLESALE AND RETAIL SHOE DISTRIBUTORS.

Wages and salaries accounted for a large proportion of the gross margins of tanners. Census reports show that in 1939 wages and salaries accounted for 51.9 percent of the manufacturers' margins for regular factories. Manufacturing wages alone accounted for 42.5 percent of the tanners' margins. Reports of the Federal Trade Commission show that production wages and salaries averaged 40.3 percent of the manufacturers' margins in 1939 and 45.3 percent of the margins in 1940. Similar data made available by the Office of Price Administration show that direct labor costs averaged about 32 percent of gross margins during the 10 years 1936-45 and ranged from 28 percent in 1942 to 34 percent in 1938. The proportion of net sales accounted for by direct labor costs increased from 1942 to 1945, but in 1945 this proportion was considerably less than in 1939.

Information relating to the number of hides and skins tanned, number of workers employed by tanners, average weekly wages paid, and hours per week worked show that the average number of hides and skins tanned per worker and per hour of labor increased considerably during the war and then decreased to 1946 but that the number of hides and skins tanned per dollar of wages decreased to 1947 (table 17). The average number of hides and skins tanned per worker in 1944, for example, averaged 31 percent greater than during

TABLE 17.—*Total number of hides and skins tanned; average number of workers employed in the tanning industry, weekly wage, and hours per week; and index of average number of hides and skins tanned per worker, per hour of labor, and per dollar of wages, United States, 1935-47*

Year	Number of hides and skins tanned ¹	Average number of workers	Average weekly wage	Average hours per week	Index of average number of hides and skins tanned (average 1935-39=100) per—		
					Worker	Hours of labor	Dollar of wages
	<i>Thousands</i>	<i>Number</i>	<i>Dollars</i>	<i>Number</i>			
1935-----	122, 785	50, 800	21. 45	38. 2	105	105	112
1936-----	121, 060	51, 500	21. 97	39. 2	102	100	106
1937-----	115, 193	50, 600	23. 85	38. 7	99	98	95
1938-----	92, 884	42, 800	23. 47	37. 2	94	97	92
1939-----	115, 925	40, 000	24. 43	38. 7	101	100	94
1940-----	108, 074	47, 800	24. 27	37. 6	98	100	93
1941-----	138, 507	53, 800	28. 31	40. 0	112	107	90
1942-----	137, 848	52, 000	33. 39	41. 0	115	108	79
1943-----	133, 434	46, 500	37. 41	42. 7	124	112	76
1944-----	125, 711	41, 500	42. 46	45. 6	131	111	71
1945-----	115, 678	41, 700	44. 45	45. 3	120	102	62
1946-----	110, 022	45, 400	44. 59	41. 0	105	98	54
1947-----	115, 018	46, 200	50. 96	40. 8	108	102	49

¹ Cattle hides and calf, kip, goat, kid, sheep, and lamb skins (see table 9, page 19).

Number of workers, hours of work, and weekly wages as reported by Bureau of Labor Statistics.

the 5 years 1935-39. The number tanned per hour of labor increased to 112 percent of the 1935-39 average in 1943 and then decreased to 98 percent of this average in 1946. The number of hides and skins tanned per dollar of wages decreased to 49 percent of the 1935-39 average in 1947. The increases in labor costs were relatively greater than the corresponding increases in prices of the finished leather.

Costs of fuel, purchased electric energy, and contract work each accounted for a relatively small proportion of the value of the finished leather in 1939. Other costs, including depreciation, interest, insurance, rent, taxes, and other expenses, averaged 13.7 percent of the value of the finished products and 38 percent of the tanners' margins for regular factories, but census reports do not show the proportion accounted for by each item. Reports of the Federal Trade Commission show that selling and advertising expenses combined averaged about 3.6 percent of net sales in 1939 and 3.7 percent in 1940. Data assembled by the Office of Price Administration show that during the 10 years 1936-45 advertising and selling expenses averaged about 3.4 percent of net sales and ranged from 4.7 percent in 1938 to 2.4 percent in 1943. Costs of other items are shown in tables 15 and 16.

Average profits of manufacturers of tanned and finished leather, as reported by the Office of Price Administration, have increased markedly during recent years (table 18). Profits were calculated before minority interests and contingency reserves were deducted, but renegotiation reserves were allowed as an expense and were deducted from profits in every case where the amount set aside was shown as a current liability. These profits, before income tax, increased from an average of 1.3 percent of net sales during the 4 years 1936-39, to more than 10 percent during the 3 years 1942-44, and then decreased to 4.6 percent in 1945. After income tax, these profits increased from an average of 0.8 percent of net sales during the 4 years 1936-39, to 5.5 percent in 1941 and then declined to 2.1 percent in 1945. Net profits represented much larger proportions of net worth than of net sales but the trends in these proportions were similar (table 18).

MEANS AND IMPORTANCE OF REDUCING COSTS

Means of increasing the efficiency and of reducing the costs of tanning hides and skins and currying and finishing leather include the installation of new and improved machinery and other equipment in well-designed and modernized plants organized and operated in accordance with the most efficient methods. In addition, they include plans for obtaining adequate and dependable supplies of suitable hides and skins and tanning materials. They also involve adjustments in the kinds, qualities, and quantities of leather produced to consumer requirements, as indicated by accurate forecasts of consumer requirements.

Tanners' machinery and other equipment were overworked during the war and the installation of new and improved equipment has been delayed because of shortages. Recent reports indicate a heavy demand for tanning machinery of all kinds in the domestic and foreign markets (7). Needs for improvements in tanning machinery are indicated by the results of a recent survey showing that about 62 percent of the tanners believe that tanning machinery can be radically improved (7).

TABLE 18.—*Average profits of tanned and finished leather-manufacturing companies as proportions of net sales and of net worth, United States, average 1936-39 and annual 1939-44*¹

Year	Compa- nies re- ported	Net profits as proportion of—			
		Net sales		Net worth ²	
		Before income tax	After income tax	Before income tax	After income tax
	Number	Percent	Percent	Percent	Percent
Average 1936-39	25	1.3	0.8	2.2	1.3
1939	25	3.8	3.1	7.0	5.8
1940	25	2.6	2.0	4.7	3.5
1941	25	8.8	5.5	24.4	15.4
1942	25	10.7	4.5	31.4	13.1
1943	21	10.6	3.3	33.5	10.4
1944	11	10.7	3.1	32.4	9.2
1945	10	4.6	2.1	17.0	7.8

¹ Calculations are based on profits before deducting minority interests and contingency reserves, but renegotiation reserves were allowed as an expense and deducted from profits in every case where the amount set aside was shown as a current liability. Net sales for the 25 companies reported averaged \$113,920,000 annually during the period 1936-39 and totaled \$119,166,000 in 1939 or about 42 percent of distributed sales of leather, tanned, curried, and finished, as reported by Census of Business for 1939. Sales of the 21 companies reported for 1943 totaled \$186,089,000 and sales of the 11 companies reported in 1944 totaled \$121,526,000.

² Net worth is the sum of common and preferred stocks, surplus, and surplus reserves. The return was calculated on the average of net worth at the beginning and end of each year.

Adapted from UNITED STATES OFFICE OF PRICE ADMINISTRATION. CORPORATE PROFITS. PT. I, 1936-42, WAR PROFITS STUDY 10, 170 pp., illus. 1945. (Processed.) PT. II, 1943, WAR PROFITS STUDY 11, 90 pp., illus. 1945. (Processed.) PT. III, 1944, WAR PROFITS STUDY 12, 59 pp., illus. 1945. (Processed.) The basic data in these reports are from Moody's Industrials, New York (Semiweekly); Standard and Poor's Corporation Records; and Office of Price Administration Financial Reports.

Most of them apparently anticipate some big changes in this machinery and equipment within the immediate future. The installation of new and improved tanning machinery and other equipment could greatly increase the efficiency and reduce the costs of tanning and finishing leather.

The right kinds of equipment, installed in accordance with the most effective plant lay-out and operated in accordance with improved methods, would be needed to give the best results. Regular and thorough plant and production analyses, along with periodic check-ups and detailed production and cost records, would help to assure optimum results from plant lay-out and operation. The trend appears to be toward simplification, standardization, and speed in handling operations. These developments may be made more effective through specialized training of personnel which, in many instances, can be done

through in-service training programs. This training would almost certainly increase the efficiency of the plants and improve the morale of the workers.

Results of comprehensive and purposeful research, designed to improve the durability, texture, and color of finished leather, from the viewpoint of consumer requirements, are needed as a guide to tanners. The desirability of such improvements is emphasized by the development of competitive products which are said to offer possibilities of equaling or exceeding leather in durability, variety of colors, and texture (?). Chemical research in regard to leather might well be designed to develop improvements in quality and adaptability as related mainly to durability, texture, color, and finish. Special efforts are needed to develop greater versatility, or a wider variety of textures, grains, and other qualities adapted to the newer treatments, and new color possibilities, as related to variety, resistance to fading, new blends, brilliance, and luminosity (?).

The importance of increasing the efficiency and reducing the costs of tanning hides and skins and currying and finishing leather is indicated by data showing that in 1939, for example, margins to tanners for rendering these services averaged about three-fourths of the costs to tanners of the hides and skins used and to about one-tenth of the costs to consumers of the finished product. Wages and salaries paid by tanners averaged about three-eighths of the costs of the hides and skins used and about 5 percent of the retail value of the finished leather products.

MARGINS FOR MANUFACTURERS OF LEATHER PRODUCTS

Manufacturers of leather products include a number of industries which use tanned, curried, and finished leather or leather products in the manufacture of other leather products. The industrial leather-beltting and packing-leather industry includes establishments that are primarily engaged in the manufacture of leather belting, chiefly for use in the transmission of power, of leather packing (cup, U-valve, oil-retainer-seal, etc.), or of leather aprons (aprons, picker leather, mill strapping, etc.). Establishments that manufacture leather belts for wear on the person and rubber belting are not included in this industry.

The boot and shoe cut stock and findings industry includes establishments engaged primarily in the manufacture, for sale as such, of soles, inner soles, heels (other than wood and rubber), lifts, counter, vamps, quarters, and other cut stocks, and of finished wood heels, welting, shanks, and other findings. It also includes the production of cut stock and findings by boot and shoe manufacturers for their own use, but does not include rubber heels, soles, etc.

The footwear (except rubber) industry includes establishments whose principal products are boots, shoes, sandals, slippers, moccasins, and allied footwear, and leggings, overgaiters, etc., made chiefly of leather but to some extent of canvas and other textile fabrics.

The leather gloves and mittens industry embraces establishments that are engaged primarily in the manufacture of leather gloves and

mittens, lined and unlined, but it does not include sporting and athletic gloves nor knitted gloves and mittens.

The suitcases, brief cases, bags, trunks, and other luggage industry includes establishments engaged primarily in the manufacture of trunks, suitcases, brief cases, sample cases, traveling bags, satchels, Boston bags, hat boxes, radio cases, and related products, regardless of the material from which they are made.

The principal products of establishments included in the saddlery, harness, and whips industry are saddles and parts, harness and parts, halters, bridles, horse boots, turf goods, feed bags, whips and crops, whipstocks, whip handles, whiplashes, etc.

Manufacturing industries for women's pocketbooks, handbags, and purses, small leather goods, and leather goods not elsewhere classified include establishments engaged primarily in the manufacture of pocketbooks, handbags, and purse-handbags (women's), billfolds and wallets, key cases, coin purses, cigar and cigarette cases, tobacco pouches, watch straps, handles, corners, and straps for luggage, etc., whether made of leather or of materials other than leather.

USUAL PRACTICES

Most of the leather used by manufacturers of leather products is obtained directly, or indirectly through wholesalers and jobbers, from leather and tanning companies. Data assembled by the Federal Trade Commission relating to cattle shoe-leather purchases of 16 and calf shoe-leather purchases of 14 shoe-manufacturing companies show that, in 1935, about 86 percent of the cattle, and 97 percent of the calf shoe leather were obtained from leather and tanning companies (table 19). About 12 percent of the cattle shoe leather was obtained from leather cutters. Small proportions of cattle and calf shoe leather were obtained from wholesale merchants and jobbers, brokers, commission houses, and from importers (22).

Most of the 117,634,489 pounds of cattle and calf shoe leather bought by these shoe-manufacturing companies was produced in the United States. They equaled approximately 8.5 percent of total domestic production that year. Each of the 16 companies that bought cattle shoe leather made purchases from leather and tanning companies, 11 bought from leather cutters, and 7 made purchases from wholesale merchants and jobbers. All of the 14 companies that bought calf shoe leather made purchases from leather and tanning companies and 5 made purchases from wholesale merchants and jobbers (22).

Manufacturers of leather products distribute their output through several agencies, the relative importance of the specific outlets varying with the kind of product. Census reports on the distribution of manufacturers' sales of leather products show that, in 1939, about 49 percent of the total for all products combined was distributed directly to retailers, 19 percent to wholesalers and jobbers, about 18 percent through wholesale outlets owned and operated by the manufacturers, about 10 percent to industrial users, and the remainder through retail establishments owned and operated by the manufacturer, to exporters, and to consumers at retail (table 20).

TABLE 19.—*Cattle shoe-leather purchases of 16 and calf shoe-leather purchases of 14 shoe-manufacturing companies,¹ by sources of supply calendar or fiscal year 1935²*

Sources of supply	Cattle and calf shoe-leather purchases			
	Cattle shoe leather ³		Calf shoe leather ⁴	
	Pounds	Percentage of total	Pounds	Percentage of total
Brokers and commission houses.....	590, 789	0. 58	83, 027	0. 57
Wholesale merchants and jobbers....	1, 979, 829	1. 92	314, 517	2. 17
Leather cutters.....	12, 196, 730	11. 82	-----	-----
Leather and tanning companies (not owned or controlled by reporting companies).....	88, 395, 500	85. 68	14, 053, 686	97. 16
Shoe companies (not owned or controlled by reporting companies)....	3, 729	-----	-----	-----
Importers.....	2, 919	-----	13, 763	. 10
Total purchases of cattle and calf shoe leather.....	103, 169, 496	100. 00	14, 464, 993	100. 00

¹ Includes cattle shoe-leather purchases of the following companies and their domestic subsidiaries: International Shoe Co.; Endicott-Johnson Corp.; Brown Shoe Co., Inc.; the Selby Shoe Co.; Diamond Shoe Corp.; G. R. Kinney Co., Inc.; George E. Keith Co.; the H. C. Godman Co.; J. F. McElwain Co.; Regal Shoe Co.; Craddock-Terry Co.; W. L. Douglas Shoe Co.; I. Miller & Sons, Inc.; Hamilton, Brown Shoe Co.; Nunn-Bush Shoe Co.; and Florsheim Shoe Co. Includes calf shoe-leather purchases of all of the foregoing companies except Craddock-Terry Co. and Hamilton, Brown Shoe Co.

² Of the 16 companies reporting cattle shoe-leather purchases, 6 reported purchases for the calendar year 1935 and 10 for the fiscal year 1935. Fiscal years ended Feb. 28 for 1 company, Mar. 31 for 1 company, Oct. 31 for 4 companies, and Nov. 30 for 4 companies. Of the 14 reporting calf shoe-leather purchases, 5 reported purchases for the calendar year 1935 and 9 for the fiscal year 1935. Fiscal years ended on the same dates as those reported by the companies purchasing cattle shoe leather, except only 3 companies reported for the fiscal year ended Nov. 30, 1935.

³ Of the 16 companies reporting cattle shoe-leather purchases, 2 reported part of their purchases in pounds and part in square yards. For these companies only the quantities reported in pounds are included herein.

⁴ Of the 14 companies reporting purchases of calf shoe-leather, 2 reported estimated quantities, and 2 reported purchases in square yards. For the 2 reporting in square yards, the Commission converted square yards into pounds, using conversion ratios furnished by the respective companies.

Reproduced from UNITED STATES FEDERAL TRADE COMMISSION. AGRICULTURAL INCOME INQUIRY, PT. I, PRINCIPAL FARM PRODUCTS (22, p. 1033).

Table 20.—*Distribution of leather products manufacturers' sales, by classes of customers, United States, 1939*

Product	Estab- lish- ments report- ing	Total distrib- uted sales	Proportion of sales distributed to—							
			Own outlets		Whole- salers and jobbers	Export	Retail- ers (in- clud- ing chains)	Indus- trial users ¹	Con- sumers of retail ²	All
			Whole- sale	Retail						
	<i>Number</i>	<i>1,000 dollars</i>	<i>Per- cent</i>	<i>Per- cent</i>	<i>Per- cent</i>	<i>Per- cent</i>	<i>Per- cent</i>	<i>Per- cent</i>	<i>Per- cent</i>	<i>Per- cent</i>
Industrial leather belting and packing leather.....	190	24, 265	11. 5	-----	³ 16. 8	2. 3	2. 9	66. 3	0. 2	100. 0
Boot and shoe cut stock and findings.....	489	100, 225	14. 4	-----	15. 0	. 7	1. 9	68. 0	-----	100. 0
Footwear (except rubber).....	992	716, 888	21. 7	4. 3	19. 0	. 5	53. 4	. 9	. 2	100. 0
Leather gloves and mittens.....	233	28, 190	(⁴)	(⁶)	⁴ 31. 2	(⁶)	⁵ 34. 2	⁷ 3. 3	1. 3	100. 0
Suitcases, briefcases, bags, trunks, and other luggage.....	326	37, 013	5. 6	. 2	16. 2	. 9	71. 0	5. 1	1. 0	100. 0
Women's pocketbooks, handbags, and purses.....	264	54, 678	5. 2	-----	14. 0	. 2	80. 1	. 5	-----	100. 0
Small leather goods.....	109	14, 439	(⁴)	-----	⁴ 33. 7	-----	61. 3	5. 0	-----	100. 0
Saddlery, harness and whips.....	156	14, 355	4. 3	4. 2	32. 7	(⁶)	49. 3	3. 2	6. 3	100. 0
Leather goods not elsewhere classified.....	146	8, 853	(⁴)	-----	⁴ 32. 1	. 3	23. 3	44. 0	. 3	100. 0
Total.....	2, 905	998, 906	17. 9	3. 2	19. 0	. 5	49. 2	9. 9	. 3	100. 0

¹ Also includes commercial, professional, and institutional users (manufacturers, railroads, utilities, governmental bodies, hotels, contractors, etc.).

² Includes farmers, household consumers, and employees at retail.

³ Sales to export intermediaries combined with sales to wholesalers and jobbers to avoid disclosure.

⁴ Sales to or through own wholesale branches or offices combined with sales to wholesalers and jobbers to avoid disclosure.

⁵ Sales to or through own retail stores combined with sales to retailers to avoid disclosures.

⁶ Less than 0.05 percent.

⁷ Interplant transfers included to avoid disclosure.

Abstracted from CENSUS OF BUSINESS: 1939. DISTRIBUTION OF MANUFACTURERS' SALES (15).

Most of the industrial leather belting and packing leather and of the boot and shoe cut stock and findings, as well as large proportions of the leather goods not elsewhere classified, was sold directly, or indirectly through wholesalers and jobbers, to industrial users who use these products as materials in the manufacture of finished leather goods. Large proportions of the finished leather products were sold directly, or indirectly through wholesalers and jobbers, to retailers for distribution to ultimate consumers. Only a small proportion of the manufacturers sold leather products through agents, brokers, and commission merchants and an even smaller proportion of their net sales was made through these intermediaries. In 1939, according to census reports, the proportions of the total number of manufacturers who sold leather products through agents, brokers, and commission merchants averaged 7.5 percent for all products combined and ranged from 4.7 percent for manufacturers of leather gloves and mittens to 11.7 percent for manufacturers of boot and shoe cut stock and findings (table 21). The proportion of net sales made through these intermediaries averaged 3 percent for all products combined and ranged from 1.8 percent for leather gloves and mittens to 7.6 percent for boot and shoe cut stock and findings (18).

TABLE 21.—*Manufacturer's sales of leather products through agents, brokers, and commission merchants, by kind of products, United States, 1939*

Kind of product	All establishments		Sales through agents, brokers, and commission merchants			
			Establishments		Net sales	
	Re-reported	Net sales	Re-reported	Proportion of total	Amount	Proportion of total
	Number	1,000 dollars	Number	Percent	1,000 dollars	Percent
Boot and shoe cut stock and findings.....	489	99,761	57	11.7	7,608	7.6
Footwear (except rubber).....	992	714,960	61	6.1	14,901	2.1
Industrial leather belting and packing leather.....	189	23,711	12	6.3	298	1.3
Leather gloves and mittens.....	233	28,182	11	4.7	508	1.8
Saddlery, harness, and whips....	156	14,351	10	6.4	862	6.0
Small leather goods.....	255	23,268	19	7.5	1,605	6.9
Suitcases, brief cases, bags, trunks, and other luggage....	326	36,826	21	6.4	931	2.5
Women's pocketbooks, handbags, and purses.....	264	54,954	27	10.2	2,821	5.1
All products.....	2,904	996,013	218	7.5	29,534	3.0

Abstracted from CENSUS OF BUSINESS: 1939, WHOLESALE TRADE, VOL. 11 (18).

Channels through which manufacturers distribute leather boots, shoes, and slippers are indicated by data assembled by the Federal Trade Commission relative to sales of 13 shoe-manufacturing companies, including their domestic subsidiaries, in 1935 (22). Total sales of these 3 items by these 13 companies amounted to almost one-third of the total produced in the United States that year. These data on sales by channels of distribution show that about 30 percent was sold to nonchain shoe stores (excluding department stores), 21 percent to nonchain department stores, 16 percent to chain shoe stores (not owned or controlled by the reporting company), 13 percent through the reporting companies' own retail chain stores, 10 percent to chain department stores, and small proportions to a number of other purchasers (table 22). The proportions of total sales made

TABLE 22.—*Leather boot, shoe, and slipper sales of 13 shoe-manufacturing companies,¹ by channels of distribution, calendar or fiscal year 1935²*

Channels of distribution	Leather boot, shoe, and slipper sales ³	
	Pairs ⁴	Per-centage of total
Jobbers and wholesalers.....	5, 298, 426	4. 58
Syndicate buyers.....	295, 837	. 25
Mail-order houses.....	4, 202, 583	3. 63
Reporting companies' own retail chain stores.....	14, 845, 651	12. 82
Chain shoe stores (not owned or controlled by reporting companies).....	18, 673, 541	16. 13
Nonchain shoe stores (excluding department stores).....	34, 179, 411	29. 53
Chain department stores.....	11, 362, 314	9. 82
Nonchain department stores.....	23, 862, 314	20. 61
United States Government.....	1, 517, 669	1. 31
All other distributors ⁵	1, 521, 537	1. 32
Total sales of leather boots, shoes, and slippers---	115, 759, 916	100. 00

¹ Includes the following companies and their domestic subsidiaries: Brown Shoe Co., Inc.; Endicott-Johnson Corp.; Diamond Shoe Corp.; G. R. Kenney Co., Inc.; George E. Keith Co.; International Shoe Co.; J. F. McElwain Co.; Regal Shoe Co.; the Florsheim Shoe Co.; the H. C. Godman Co.; the Selby Shoe Co.; W. L. Douglas Shoe Co.; and I. Miller & Sons, Inc.

² Of the 13 companies, 5 reported sales for the calendar year 1935 and 8 for the fiscal year 1935. Fiscal years ended Feb. 28 for 1 company, Mar. 31 for 1 company, Oct. 31 for 3 companies, and Nov. 30 for 3 companies.

³ Includes a small but unascertained quantity of canvas footwear.

⁴ For 2 companies sales include the approximate number of pairs sold. For 1 of these companies, sales were computed by taking 98 percent of the company's production figures for 1935 as reported in Poor's Industrials. The company itself reported that 98 percent of its total production represented leather footwear.

⁵ Includes the following sales: 323,813 pairs to industrial commissaries, 19,783 pairs to independent retail shoe stores and men's furnishing companies, 64,364 pairs to other shoe manufacturers, and 1,202 pairs to employees.

Reproduced from U. S. FEDERAL TRADE COMMISSION, AGRICULTURAL INCOME INQUIRY, PT. I, PRINCIPAL FARM PRODUCTS (22, p. 1,034).

through the different channels of distribution varied considerably from one manufacturer to another (22).

CHARGES OR COSTS

Data relating to costs of materials and to values of the products for the leather and leather products group taken as a whole include considerable duplication resulting from the use of the products of some industries as materials in others. The products of the "Leather: tanned, curried, and finished" industry are used as materials in the other leather industries. The products of the so-called boot and shoe cut stock and findings industry are used as materials in the "footwear" industry. Reduplication occurs in the case of boot and shoe cut stock not made in boot and shoe factories, because the value of the leather used in making such stock appears three times—once as reported by tanneries, again as a part of the value of the cut stock, and still again as a part of the value of the finished boots and shoes. But within any one of these industries there is little duplication resulting from the use of the products of some establishments as materials by others (19).

Census data relative to the costs and values of leather products show that, in 1939, manufacturers' margins (or the spread between the values of the products and the costs of the materials, supplies, and containers) for establishments primarily engaged in manufacturing leather products, averaged 45.7 percent of the value of the products for all products combined and ranged from 30.8 percent for boot and shoe cut stock and findings to 53.8 percent for leather goods not elsewhere classified (table 23). Footwear (except rubber) accounted for about 70 percent of the total value for all products combined and shoe-manufacturers' margins averaged 47.8 percent of the value of the products. These margins do not include costs of materials other than leather, other supplies, and containers; and census reports are not complete enough to show how much of the total costs of materials, supplies, and containers may be attributed to costs of the leather used.

Data relative to sales, costs, and margins for corporations primarily engaged in the manufacture of footwear (except rubber), assembled by the Federal Trade Commission, show that the margin or spread between total sales and costs of materials averaged 68.6 percent of total sales in 1939 (table 24).⁶ In 1940, these margins averaged 58.1 percent of total sales for footwear sold to nonaffiliated distributors and 68.2 percent for that sold through manufacturer-owned retail stores. The larger margins shown by the reports of the Federal Trade Commission than those shown by census reports may be accounted for in part by the fact that the margins calculated from census reports did not include costs of supplies and containers whereas those calculated from reports of the Federal Trade Commission apparently did include such costs.

Information assembled by the Office of Price Administration for 110 shoe manufacturers in 1942 and 1944 and for 70 shoe manufacturers for the fiscal years 1945 and 1946 show that gross margins, or the spread

⁶ U. S. FEDERAL TRADE COMMISSION. REPORTS ON INDUSTRIAL CORPORATIONS PRIMARILY ENGAGED IN THE MANUFACTURE OF BOOTS, SHOES, AND OTHER FOOTWEAR (EXCEPT RUBBER) MADE CHIEFLY OF LEATHER, SUMMARIES FOR 1939 AND 1940, 1941 AND 1942. (Processed.) 25 pp., illus. and 61 pp., illus.

between net sales and direct material costs, have increased during the last few years. These margins averaged 49 percent of net sales in 1942 and ranged from 40.5 percent for men's dress shoes to 53.6 percent for women's shoes (table 25). In 1944 these margins averaged 50.6 percent and ranged from 41.2 percent for men's dress shoes to 54.4 percent for women's shoes (table 26). Margins for 70 manufacturers averaged 51.3 percent of net sales during the fiscal year 1945 and 53.2 percent during the fiscal year 1946 (table 27).

Data relating to typical costs to manufacturers of men's shoes on specified dates from 1933 to 1943 show that costs of the leather used averaged about 42 percent of the total costs and ranged from about 36 percent in 1933 to almost 46 percent in 1937 (table 28). Leather accounted for 43.5 percent of total costs in 1939 and in 1943. Costs of other materials, supplies, and containers averaged about 9.1 percent of total costs and decreased from 9.7 percent in 1933 to 7.9 percent in 1943.

Similar data relating to costs of women's shoes on specified dates from 1933 to 1941 show that costs of the leather used averaged about 37 percent of total costs and increased from 33.1 percent in 1933 to 39.9 percent in 1941 (table 29). Costs of other materials, supplies, and containers averaged about 11.9 percent of the total costs and decreased from 13 percent in 1933 to 11.3 percent in 1940.

Salaries and wages make up the largest item of cost included in margins for manufacturers of leather products. In 1939, according to census reports, salaries and wages accounted for 28.5 percent of the total value for all leather products combined and ranged from 17.6 percent for boot and shoe cut stock and findings to 35.1 percent for gloves and mittens (table 23). Manufacturing wages alone accounted for 22.8 percent of the value of the products for all establishments combined and ranged from 11.7 percent for manufacturers of industrial leather belting and packing leather to 27.6 percent for manufacturers of leather gloves and mittens.

Production wages and salaries, according to reports of the Federal Trade Commission, averaged 22.1 percent of total sales for corporations primarily engaged in the manufacture of footwear (except rubber) in 1939 (table 24). Similar data for 1940 show that production wages and salaries averaged 26.3 percent of total sales for products sold to nonaffiliated distributors and 20.1 percent for products sold through the manufacturers' own retail stores.

Data assembled by the Office of Price Administration show that the proportions of net sales accounted for by direct labor costs have increased considerably in recent years. These costs for 117 shoe manufacturers averaged 20.6 percent of net sales in 1942 and ranged from 12.7 percent for men's work shoes to 24.6 percent for women's shoes. In 1944 these costs averaged 22.8 percent of net sales and ranged from 15 percent for men's work shoes to 26.3 percent for women's shoes. Direct labor costs for 70 shoe manufacturers averaged 27.4 percent of net sales during the fiscal year 1945 and 28.4 percent of net sales during the fiscal year 1946 (tables 25, 26, and 27).

Information relating to average costs to manufacturers of men's and women's shoes show that labor costs for men's shoes averaged about 22.5 percent of the total for all costs on specified dates from 1933 to 1943 and ranged from 20.5 percent in 1937 to 24.2 percent in 1943.

TABLE 23.—*Value of products, costs, and margins for establishments manufacturing specified leather products, United States, 1939*

Item	Leather products									
	Foot- wear (except rubber)	Gloves and mittens	Suit- cases, brief- cases, bags, trunks and other luggage	Sad- dlery, harness, and whips	Women's pocket- books, hand- bags, and purses	Small leather goods	Leather goods not else- where classi- fied	Indus- trial belt- ing and packing leather	Boot and shoe cut stock and find- ings	All
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Value of products.....	734, 673	26, 831	36, 591	12, 118	55, 807	14, 334	8, 911	24, 410	129, 399	1, 043, 074
Costs of materials, supplies and con- tainers.....	383, 344	12, 575	18, 914	6, 757	30, 973	7, 025	4, 120	13, 375	89, 572	566, 655
Gross margin.....	351, 329	14, 256	17, 677	5, 361	24, 834	7, 309	4, 791	11, 035	39, 827	476, 419
Salaries and wages.....										
Salaried officers.....	9, 564	714	1, 453	358	1, 380	568	417	757	2, 192	17, 403
Manufacturing salaries.....	19, 817	761	928	348	1, 178	371	201	586	2, 351	26, 541
Manufacturing wages.....	183, 658	7, 409	7, 919	2, 388	11, 239	2, 751	2, 087	2, 861	17, 196	237, 508
Distribution.....	9, 557	500	1, 255	314	966	772	228	725	965	15, 282
Other.....	271	33	1	7	15		5	13	32	377
Fuel.....	1, 246	69	91	53	15	14	18	100	306	1, 912
Purchased electric energy.....	2, 766	84	140	52	163	47	49	100	559	3, 960
Contract work.....	1, 082	1, 035	69	15	1, 727	287	53	22	50	4, 341
Other ¹	123, 367	3, 651	5, 821	1, 826	8, 151	2, 499	1, 733	5, 871	16, 176	169, 095

Proportion of value of products

	<i>Percent</i> 100.0	<i>Percent</i> 100.0	<i>Percent</i> 100.0	<i>Percent</i> 100.0	<i>Percent</i> 100.0	<i>Percent</i> 100.0	<i>Percent</i> 100.0	<i>Percent</i> 100.0	<i>Percent</i> 100.0	<i>Percent</i> 100.0
Value of products.....										
Cost of materials, supplies and con- tainers.....	52.2	46.9	51.7	55.8	55.5	49.0	46.2	54.8	69.2	54.3
Gross margin.....	47.8	53.1	48.3	44.2	44.5	51.0	53.8	45.2	30.8	45.7
Salaries and wages.....										
Salaried officers.....	1.3	2.7	4.0	2.9	2.5	4.0	4.7	3.1	1.7	1.7
Manufacturing salaries.....	2.7	2.8	2.5	2.9	2.1	2.6	2.3	2.4	1.8	2.5
Manufacturing wages.....	25.0	27.6	21.7	19.7	20.2	19.2	23.4	11.7	13.3	22.8
Distribution.....	1.3	1.9	3.4	2.6	1.7	5.4	2.6	3.0	.8	1.5
Other.....	(²)	.1	(²)	.1	(²)	-----	.1	.1	(²)	(²)
Fuel.....	.2	.3	.2	.4	(²)	.1	.2	.4	.2	.2
Purchased electric energy.....	.4	.3	.4	.4	.3	.3	.5	.4	.4	.4
Contract work.....	.1	3.8	.2	.1	3.1	2.0	.6	.1	(²)	.4
Other ¹	16.8	13.6	15.9	15.1	14.6	17.4	19.4	24.0	12.6	16.2
Number of establishments.....	1,070	233	329	156	286	118	160	190	520	3,062

¹ Includes depreciation interest, insurance, rents, taxes, profits, and other expenses.² Less than 0.05 percent.

Abstracted from or based on CENSUS OF MANUFACTURES: 1939 (19).

TABLE 24.—*Sales, costs, and margins for corporations primarily engaged in the manufacture of footwear (except rubber), United States, 1939 and 1940*

Item	1939 all		1940			
			Sold to nonaffiliated distributors		Sold through own retail stores	
	<i>1,000 dollars</i>	<i>Percent</i>	<i>1,000 dollars</i>	<i>Percent</i>	<i>1,000 dollars</i>	<i>Percent</i>
Total sales.....	332, 940	100. 0	219, 698	100. 0	175, 228	100. 0
Material costs.....	104, 511	31. 4	92, 053	41. 9	55, 723	31. 8
Gross margin.....	228, 429	68. 6	127, 645	58. 1	119, 505	68. 2
Production wages and salaries.....	73, 461	22. 1	57, 781	26. 3	35, 221	20. 1
Depreciation.....	3, 419	1. 0	2, 417	1. 1	1, 577	. 9
Taxes and social security.....	8, 236	2. 5	4, 174	1. 9	3, 329	1. 9
Other operating expense ¹	25, 761	7. 7	22, 409	10. 2	35, 922	20. 5
Goods purchased for resale.....	45, 889	13. 8				
Selling expense.....	37, 328	11. 2	18, 455	8. 4	24, 882	14. 2
Advertising.....	6, 075	1. 8	4, 394	2. 0	2, 804	1. 6
Administrative and general office.....	8, 854	2. 7	5, 712	2. 6	5, 607	3. 2
Provisions for uncollectible accounts.....	719	. 2	439	. 2	175	. 1
Net profits.....	18, 687	5. 6	11, 864	5. 4	9, 988	5. 7
Number of corporations reported.....	16		28		10	

¹ Includes costs of repair and maintenance, and research and development expenses.

Abstracted from or based on reports of FEDERAL TRADE COMMISSION. INDUSTRIAL CORPORATIONS PRIMARILY ENGAGED IN THE MANUFACTURE AND SALE OF BOOTS, SHOES, AND OTHER FOOTWEAR (OTHER THAN RUBBER) MADE CHIEFLY OF LEATHER, published in 1941 and 1942. (Processed.)

TABLE 25.—*Net selling prices, costs, and margins for manufacturers of shoes, United States, 1942*¹

Item	Men's dress	Women's	Infants'	Growing girls	Misses and children's	House slippers	Weighted average ²
	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Net selling price.....	3. 106	2. 934	1. 173	2. 046	1. 770	0. 940	2. 268
Material cost.....	1. 849	1. 361	. 596	1. 099	. 894	. 455	1. 156
Gross margin.....	1. 257	1. 573	. 577	. 947	. 876	. 485	1. 112
Direct labor.....	. 573	. 731	. 258	. 386	. 373	. 196	. 496
Manufacturing overhead.....	. 227	. 314	. 093	. 178	. 151	. 089	. 211
Cases, cartons, and tissues.....	. 009	. 017	. 007	. 007	. 008	. 024	. 014
Selling and administrative expense.....	. 290	. 295	. 119	. 197	. 179	. 088	. 222
Net margin.....	. 158	. 216	. 100	. 179	. 165	. 088	. 169
Proportion of selling price							
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Net selling price.....	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0
Material cost.....	59. 5	46. 4	50. 8	53. 7	50. 5	48. 4	51. 0
Gross margin.....	40. 5	53. 6	49. 2	46. 3	49. 5	51. 6	49. 0
Direct labor.....	18. 5	24. 9	22. 0	18. 9	21. 1	20. 8	21. 8
Manufacturing overhead.....	7. 3	10. 7	7. 9	8. 7	8. 5	9. 5	9. 3
Cases, cartons, and tissues.....	. 3	. 6	. 6	. 3	. 5	2. 5	. 6
Selling and administrative expense.....	9. 3	10. 0	10. 1	9. 6	10. 1	9. 4	9. 8
Net margin.....	5. 1	7. 4	8. 6	8. 8	9. 3	9. 4	7. 5

¹ Data obtained from records of 110 manufacturers by OPA Accounting Departments.

² Weighted by the number of pairs of shoes produced.

Adopted from OFFICE OF TEMPORARY CONTROLS. SURVEY OF LEATHER TANNERS, SHOE MANUFACTURERS, AND WHOLESALE AND RETAIL SHOE DISTRIBUTORS (12).

TABLE 26.—*Net selling prices, costs, and margins for manufacturers of shoes, United States, 1944* ¹

Item	Men's dress	Women's	Infants'	Growing girls'	Misses and children	House slippers	Weighted average ²
	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Net selling price.....	3. 473	3. 104	1. 321	2. 136	1. 798	1. 162	2. 361
Material cost.....	2. 042	1. 416	. 666	1. 068	. 912	. 580	1. 166
Gross margin.....	1. 431	1. 688	. 655	1. 068	. 886	. 582	1. 195
Direct labor.....	. 675	. 799	. 325	. 415	. 413	. 235	. 549
Manufacturing overhead.....	. 252	. 326	. 107	. 230	. 160	. 111	. 227
Cases, cartons, and tissues.....	. 011	. 020	. 011	. 014	. 008	. 031	. 018
Selling and administrative expense.....	. 311	. 302	. 120	. 165	. 168	. 104	. 220
Net margin.....	. 182	. 241	. 092	. 244	. 137	. 101	. 181
Proportion of selling price							
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Net selling price.....	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0
Material cost.....	58. 8	45. 6	50. 4	50. 0	50. 7	49. 9	49. 4
Gross margin.....	41. 2	54. 4	49. 6	50. 0	49. 3	50. 1	50. 6
Direct labor.....	19. 4	25. 8	24. 6	19. 4	23. 0	20. 2	23. 2
Manufacturing overhead.....	7. 3	10. 5	8. 1	10. 8	8. 9	9. 5	9. 6
Cases, cartons, and tissues.....	. 3	. 6	. 8	. 7	. 4	2. 7	. 8
Selling and administrative expense.....	9. 0	9. 7	9. 1	7. 7	9. 4	9. 0	9. 3
Net margin.....	5. 2	7. 8	7. 0	11. 4	7. 6	8. 7	7. 7

¹ Data obtained from records of 110 manufacturers by OPA Accounting Department.² Weighted by number of pairs of shoes produced.

Adapted from OFFICE OF TEMPORARY CONTROLS. SURVEY OF LEATHER TANNERS, SHOE MANUFACTURERS AND WHOLESALE AND RETAIL SHOE DISTRIBUTORS (12).

TABLE 27.—*Net sales, costs, and margins for 70 shoe manufacturers, United States, fiscal years 1945 and 1946*

Item	Fiscal year			
	1945		1946	
	1,000 dollars	Percent	1,000 dollars	Percent
Net sales.....	304, 546	100. 0	310, 158	100. 0
Direct material costs.....	148, 451	48. 7	145, 083	46. 8
Gross margin.....	156, 095	51. 3	165, 075	53. 2
Direct labor costs.....	83, 380	27. 4	88, 049	28. 4
Indirect factory labor.....	7, 857	2. 6	7, 666	2. 5
Lasts, dies, and patterns.....	1, 163	. 4	1, 033	. 3
Other factory burden.....	24, 875	8. 2	25, 582	8. 2
Executive salaries and bonuses.....	2, 274	. 7	2, 086	. 7
Other nonfactory burden.....	17, 727	5. 8	19, 336	6. 2
Other net income.....	820	. 3	1, 313	. 4
Net profit before income tax.....	19, 639	6. 5	22, 636	7. 3

Primary data assembled by Office of Price Administration and made available for use only as industry summaries.

TABLE 28.—Average costs to manufacturers of men's shoes, United States, on specified dates, 1933-43

Item	May 1, 1933	May 1, 1934	June 1, 1935	May 20, 1936	Apr. 1, 1937	Mar. 1, 1938	Dec. 30, 1939	July 28, 1943
	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Total costs per pair.....	3. 6089	4. 1588	4. 2940	4. 3672	5. 0904	4. 4369	4. 832	5. 632
Leather costs—total.....	1. 3037	1. 7720	1. 7546	1. 7886	2. 3320	1. 8357	2. 100	2. 451
Upper stock.....	. 5960	. 8550	. 8844	. 8886	1. 1849	. 9167	1. 022	1. 182
Bottom stock.....	. 5890	. 7360	. 7160	. 7100	. 9018	. 7730	. 830	1. 056
Linings and trimming.....	. 1187	. 1810	. 1542	. 1900	. 2453	. 1460	. 248	. 213
Cost of other materials, supplies, and containers.....	. 3497	. 4003	. 3922	. 4031	. 4265	. 4037	. 465	. 445
Cloth linings and doublers.....	. 0408	. 0686	. 0629	. 0670	. 0790	. 0630	. 071	. 077
Findings, laces, etc.....	. 1768	. 1967	. 1952	. 2001	. 2077	. 2021	. 242	. 262
Eyelets.....	. 0061	. 0070	. 0061	. 0060	. 0060	. 0066	. 007	. 006
Cartons and cases.....	. 0600	. 0680	. 0680	. 0700	. 0738	. 0720	. 079	. 080
Lasts, dies, and patterns.....	. 0660	. 0600	. 0600	. 0600	. 0600	. 0600	. 066	. 020
Labor costs.....	. 7764	. 8661	. 9803	. 9951	1. 0449	. 9890	1. 038	1. 365
Royalties.....	. 0950	. 0950	. 0950	. 0950	. 0950	. 0950	. 098	. 100
Other factory expense.....	. 3550	. 3450	. 3600	. 3650	. 3700	. 3500	. 360	. 337
Selling and administrative costs ¹ 7291	. 6804	. 7119	. 7204	. 8220	. 7635	. 771	. 934

Item	Proportion of total cost							
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Total costs per pair.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Leather costs—total.....	36.2	42.6	40.9	41.0	45.8	41.4	43.5	43.5
Upper stock.....	16.5	20.6	20.6	20.3	23.3	20.7	21.2	21.0
Bottom stock.....	16.4	17.7	16.7	16.3	17.7	17.4	17.2	18.7
Linings and trimming.....	3.3	4.3	3.6	4.4	4.8	3.3	5.1	3.8
Costs of other materials, supplies, and containers.....	9.7	9.6	9.1	9.2	8.4	9.1	9.6	7.9
Cloth linings and doublers.....	1.1	1.7	1.5	1.5	1.6	1.4	1.5	1.4
Findings, laces, etc.....	4.9	4.7	4.5	4.6	4.1	4.6	5.0	4.6
Eyelets.....	.2	.2	.1	.1	.1	.1	.1	.1
Cartons and cases.....	1.7	1.6	1.6	1.6	1.4	1.6	1.6	1.4
Lasts, dies, and patterns.....	1.8	1.4	1.4	1.4	1.2	1.4	1.4	.4
Labor costs.....	1.5	20.8	22.8	22.8	20.5	22.3	21.5	24.2
Royalties.....	2.6	2.3	2.2	2.2	1.9	2.1	2.0	1.8
Other factory expense.....	9.8	8.3	8.4	8.3	7.3	7.9	7.4	6.0
Selling and administrative costs ¹	20.2	16.4	16.6	16.5	16.1	17.2	16.0	16.6

¹ Includes salesmen's commissions and bad debts, but excludes cost of advertising.

Data supplied by J. G. Schnitzer, Division of Textile and Leather, Office of International Trade, U. S. Department of Commerce.

TABLE 29.—Average costs to manufacturers of women's shoes, United States, on specified dates, 1933-1941

Item	May 1, 1933	Dec. 1, 1934	Dec. 1, 1935	Dec. 1, 1936	Apr. 1, 1937	Mar. 1, 1938	Apr. 1, 1940	July 1, 1941
	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Total costs, per pair	3. 0849	3. 4676	3. 5698	3. 7572	4. 0627	3. 8294	3. 9952	4. 2883
Leather costs—total	1. 0218	1. 1541	1. 2654	1. 4326	1. 5976	1. 4426	1. 5800	1. 7100
Upper stock	. 4740	. 5216	. 5634	. 6600	. 7200	. 6600	. 7000	. 7500
Bottom stock	. 4350	. 4900	. 5500	. 5900	. 6725	. 6000	. 6600	. 7300
Linings and trimming	. 1128	. 1425	. 1520	. 1826	. 2051	. 1826	. 2200	. 2300
Costs of other materials, supplies, and containers	. 4023	. 4232	. 4232	. 4476	. 4670	. 4460	. 4514	. 4995
Cloth linings and doublers	. 0723	. 0782	. 0782	. 0896	. 0890	. 0896	. 0950	. 1100
Findings, laces, etc	. 1700	. 1800	. 1800	. 1890	. 1990	. 1850	. 1850	. 2035
Cartons and cases	. 0600	. 0650	. 0650	. 0690	. 0790	. 0714	. 0714	. 0860
Lasts, dies, and patterns	. 1000	. 1000	. 1000	. 1000	. 1000	. 1000	. 1000	. 1000
Labor costs	. 8848	1. 0767	1. 0767	1. 0767	1. 1843	1. 1270	1. 1500	1. 2650
Royalties	. 0900	. 0900	. 0900	. 0900	. 0900	. 0900	. 0900	. 0900
Other factory expense	. 2600	. 2700	. 2700	. 2700	. 2835	. 2835	. 2835	. 2835
Selling and administrative costs ¹	. 4260	. 4536	. 4445	. 4403	. 4403	. 4403	. 4403	. 4403
Proportion of total cost								
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Total costs, per pair	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0
Leather costs—total	33. 1	33. 3	35. 4	38. 1	39. 3	37. 7	39. 5	39. 9
Upper stock	15. 4	15. 1	15. 8	17. 6	17. 7	17. 2	17. 5	17. 5
Bottom stock	14. 1	14. 1	15. 4	15. 7	16. 6	15. 7	16. 5	17. 0
Linings and trimming	3. 6	4. 1	4. 2	4. 8	5. 0	4. 8	5. 5	5. 4
Costs of other materials, supplies, and containers	13. 0	12. 2	11. 8	11. 9	11. 5	11. 6	11. 3	11. 6
Cloth linings and doublers	2. 3	2. 2	2. 2	2. 4	2. 2	2. 3	2. 4	2. 6
Findings, laces, etc	5. 5	5. 2	5. 0	5. 0	4. 9	4. 8	4. 6	4. 7
Cartons and cases	2. 0	1. 9	1. 8	1. 8	1. 9	1. 9	1. 8	2. 0
Lasts, dies, and patterns	3. 2	2. 9	2. 8	2. 7	2. 5	2. 6	2. 5	2. 3
Labor costs	28. 7	31. 0	30. 2	28. 7	29. 2	29. 4	28. 8	29. 5
Royalties	2. 9	2. 6	2. 5	2. 4	2. 2	2. 4	2. 3	2. 1
Other factory expense	8. 5	7. 8	7. 6	7. 2	7. 0	7. 4	7. 1	6. 6
Selling and administrative costs ¹	13. 8	13. 1	12. 5	11. 7	10. 8	11. 5	11. 0	10. 3

¹ Includes salesmen's commission and bad debts, but excludes cost of advertising.

Data supplied by J. G. Schnitzer, Division of Textiles and Leather, Office of International Trade, U. S. Department of Commerce.

Labor costs for women's shoes averaged about 29.4 percent of the total for all costs on specified dates from 1933 to 1941 and ranged from 28.7 percent in 1933 to 31 percent in 1934 (tables 28 and 29).

Information relating to the number of pairs of shoes produced, average number of workers employed in shoe manufacturing establishments, average weekly wages paid, and average number of hours per week worked shows that the average number of pairs of shoes manufactured per worker and per hour of labor increased markedly during the war and then decreased to 1947 but that the number manufactured per dollar of wages continued to decrease (table 30). The number of pairs manufactured per worker in 1945 averaged 132 percent of the 1935-39 average and then decreased to 110 percent in 1947. The number manufactured per hour of labor in 1946 averaged 117 percent of the 1935-39 average, and then decreased to 102 percent in 1947. Advances in wage rates in recent years have been relatively greater than increases in productivity of labor in the shoe-manufacturing industry and the number of pairs of shoes manufactured per dollar of wages in 1947 average only 50 percent of that for the 5 years 1935-39. But prices of shoes went up considerably during this period.

TABLE 30.—*Total production of shoes; average number of workers employed in the shoe industry, weekly wage, and hours per week; and index of production per worker, per hour of labor, and per dollar of wages, United States, 1935-47*

Year	Pairs of shoes produced	Average number of workers	Average weekly wage	Average hours per week	Index of average number of pairs of shoes made (1935-39=100) per—		
					Worker	Hour of labor	Dollar of wages
	<i>1,000</i>	<i>Number</i>	<i>Dollars</i>	<i>Number</i>			
1935.....	383,761	202,100	17.96	35.5	99	99	98
1936.....	415,227	204,700	17.37	35.6	106	106	108
1937.....	411,969	215,500	18.57	36.0	100	98	96
1938.....	390,746	209,000	16.98	34.2	98	101	102
1939.....	424,136	230,900	17.83	35.7	96	95	96
1940.....	404,151	220,600	17.85	34.2	96	99	95
1941.....	498,382	237,800	21.72	37.8	110	103	90
1942.....	483,870	232,100	25.25	38.2	109	101	77
1943.....	465,397	205,600	28.18	39.2	119	107	75
1944.....	462,663	194,200	31.15	40.4	125	109	71
1945.....	468,227	193,100	33.43	41.4	132	113	70
1946.....	528,962	217,000	36.16	38.6	128	117	63
1947.....	468,069	222,400	39.11	38.3	110	102	50

Production as reported by Bureau of Census and number of workers hours per week, and weekly wages as reported by Bureau of Labor Statistics.

Costs of fuel, purchased electric energy, and contract work, according to census reports, each accounted for a relatively small part of total expenses. Selling expenses, as reported by the Federal Trade Commission, averaged 11.2 percent of net sales in 1939 and in 1940 they ranged from 8.4 percent of total sales for foot wear (except rubber) sold to nonaffiliated distributors to 14.2 percent for those sold through manufacturer-owned retail stores. Costs of advertising averaged slightly less than 2 percent of total sales. Some indications of the relative importance of other items of expense may be obtained from the data found in tables 23, 24, 25, 26, 27, 28, and 29.

Median profits to manufacturers of various leather goods, after reserves for Federal income and excess profits taxes and for renegotiation in the case of war contracts, increased from 1939 to 1943, according to reports of Dun & Bradstreet, Inc. (2). These profits for manufacturers of leather garments, luggage, purses and handbags, and women's and children's shoes as a group increased from less than 2 percent of net sales in 1939 to about 2.7 percent in 1943 (table 31). Median profits for all products combined increased from about 9.5 percent of net worth in 1939 to 19.6 percent in 1943.

Profits of companies manufacturing footwear and findings increased considerably early in the war but a large proportion of the increases was absorbed by income taxes. Net profits before deduction of income taxes increased from an average of 5.7 percent of net sales during the 4 years 1936-39 to 9.8 percent in 1942 and then decreased to 7.7 percent in 1944, according to reports of the Office of Price Administration (table 32). These profits after income taxes increased from 4.7 percent of net sales in 1936-39 to 5 percent in 1940 and then decreased to 3 percent of net sales in 1944. Net profits represent a much larger proportion of net worth than of net sales. Net profits before income taxes increased from an average of 9.6 percent of net worth during the 4 years 1936-39 to 27.5 percent in 1943 and then decreased to 20 percent in 1944. These profits after income taxes increased from 8 percent of net worth in 1936-39 to 10.4 percent in 1941, remained about unchanged to 1943, and declined to 7.7 percent in 1944.

Operating profits reported for 211 shoe-manufacturing companies, for the 10 years 1936-45, averaged about 6.4 percent of net sales, 14.9 percent of net worth plus borrowed capital, and 16.3 percent of net worth (table 33). Total profits before income tax averaged 6 percent of net sales, 14 percent of net worth plus borrowed capital, and 15.4 percent of net worth. These profits after income tax averaged 3.5 percent of net sales, 7.6 percent of net worth plus borrowed capital, and 8.3 percent of net worth. Average profits for these shoe manufacturers decreased from 1936 to 1938, then increased to 1943, and then declined with war developments to 1945. Most of the increases in recent years were offset by increases in income taxes.

TABLE 31.—Median profits of manufacturers of leather goods as proportions of net sales and of tangible net worth, United States, 1939–43¹

Kind of product	Net profits ² as proportion of net sales ³					
	1939	1940	1941	1942	1943	Average 1939–43
	Percent	Percent	Percent	Percent	Percent	Percent
Leather garments.....	1. 70	2. 79	3. 30	2. 78	2. 12	2. 54
Luggage, leather.....	1. 04	. 69	1. 56	1. 63	3. 14	1. 61
Purses and handbags, leather.....	2. 35	1. 88	1. 39	1. 29	2. 71	1. 92
Women's and children's shoes.....	1. 85	1. 92	2. 06	2. 37	2. 70	2. 18
	Net profits ² as proportion of tangible net worth ⁴					
	1939	1940	1941	1942	1943	Average 1939–43
	Percent	Percent	Percent	Percent	Percent	Percent
Leather garments.....	7. 42	11. 50	16. 02	13. 14	12. 67	12. 15
Luggage, leather.....	4. 13	3. 02	7. 28	8. 97	16. 38	7. 96
Purses and handbags, leather.....	18. 80	17. 02	18. 87	16. 42	34. 40	21. 10
Women's and children's shoes.....	7. 80	7. 21	11. 55	12. 30	15. 12	10. 80

¹ The number of manufacturing concerns reported averaged about 26 for leather garments, 25 for luggage, 30 for purse and handbag, and 68 for women's and children's shoe manufacturers.

² Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures, and other assets of a fixed nature; after reserves for Federal income and excess profit taxes; after reserves for renegotiation in the case of war contracts; after reductions in the value of inventory to cost or market, whichever were lower; after charge-offs for bad debts; and after all miscellaneous reserves and adjustments; but before dividends or withdrawals.

³ The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales, and after voluntary price deductions on the part of war contractors.

⁴ The sum of all outstanding preferred stocks (if any) and outstanding common stocks, surplus, and undivided profits, minus any intangible items in the assets, such as good will, trade-marks, patents, copyrights, leaseholds, mailing lists, treasury stocks, organization expenses, and underwriting discounts and expenses.

Abstracted from a report by FOULKE, ROY A. NATIONAL THRIFT AND THE PUBLIC DEBT (2).

TABLE 32.—*Average profits of footwear and findings manufacturing companies as proportions of net sales and of net worth. United States, average 1936-39 and annual 1939-44*¹

Year	Companies reported	Net profits as proportion of—			
		Net sales		Net worth ²	
		Before income tax	After income tax	Before income tax	After income tax
	Number	Percent	Percent	Percent	Percent
Average 1936-39	47	5.7	4.7	9.6	8.0
1939	47	6.0	4.9	10.2	8.3
1940	47	6.4	5.0	10.5	8.2
1941	47	7.2	4.8	15.5	10.4
1942	47	9.8	3.9	26.1	10.3
1943	33	8.8	3.3	27.5	10.4
1944	32	7.7	3.0	20.0	7.7

¹ Calculations are based on profits before minority interests and contingency reserves, but renegotiation reserves were allowed as an expense and deducted from profits in every case where the amount set aside was shown as a current liability. Net sales for the 47 companies reported averaged \$341,584,000 annually during 1936-39 and totaled \$352,533,000 in 1939 or about 43 percent of distributed sales of these products as reported by the Census of Business for 1939. Sales of the 33 companies reported for 1943 totaled \$377,601,000 and sales of the 32 companies reported for 1944 totaled \$54,956,000.

² Net worth is the sum of common and preferred stocks, surplus, and surplus reserves. The return was calculated on the average of net worth at the beginning and end of each year.

Adapted from UNITED STATES OFFICE OF PRICE ADMINISTRATION, CORPORATE PROFITS. PT. I 1936-42, WAR PROFITS STUDY 10. 170 pp., illus. 1945. (Processed.) PT. II 1943, WAR PROFITS STUDY 11. 90 pp., illus. 1945. (Processed.) PT. III 1944, WAR PROFITS STUDY 12. 59 pp., illus. 1945. (Processed.) The basic data in these reports are from Moody's Industrials, New York (Semiweekly); Standard and Poor's Corporation Records; and Office of Price Administration Financial Reports.

Profits of shoe manufacturers before taxes, grouped on the basis of the size of the company, as indicated by number of pairs of shoes sold per year, show that the proportion of net sales accounted for by these profits averaged considerably greater for the medium and larger than for the smaller companies (table 34). In 1942 profits before taxes increased from 2.7 percent of net sales for companies with annual sales of less than one million pairs of shoes, to 9 percent for those with annual sales of 15 to 25 million pairs, and to almost 11 percent for companies with annual sales of over 100 million pairs. The increases in proportion of net sales accounted for by these profits with increases in size of the companies in 1944 and 1945 were less pronounced and more irregular than in 1942. The proportions of net worth accounted for by profits before taxes varied irregularly with annual volume of sales.

TABLE 33.—Average profits of 211 shoe-manufacturing companies, expressed as proportions of net sales, net worth, and net worth plus borrowed capital, United States, by years, 1936-45

Year	Operating profits to—			Profits before income tax to—			Profits after income tax to—		
	Net sales	Total capital ¹	Net worth	Net sales	Total capital ¹	Net worth	Net sales	Total capital ¹	Net worth
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1936.....	6.6	10.6	11.5	6.3	10.2	11.0	5.4	8.6	9.4
1937.....	5.0	8.9	10.0	4.7	8.3	9.4	4.0	7.0	7.9
1938.....	3.8	6.0	6.6	3.4	5.3	5.9	2.9	4.5	5.0
1939.....	5.4	9.5	10.5	4.9	8.6	9.5	3.9	6.9	7.6
1940.....	5.3	9.3	10.4	4.9	8.6	9.7	3.9	6.8	7.6
1941.....	5.9	13.5	15.2	5.6	12.8	14.4	3.8	8.8	9.9
1942.....	8.2	22.5	25.7	7.8	21.5	24.5	3.1	8.5	9.7
1943.....	9.0	25.4	27.7	8.5	24.1	26.3	3.3	9.3	10.1
1944.....	7.0	20.5	21.9	6.6	19.2	20.5	2.5	7.3	7.8
1945.....	7.5	22.4	23.9	7.2	21.5	22.9	2.6	7.9	8.4

¹ Total capital is used here as equivalent to net worth plus borrowed capital.

Primary data assembled by Office of Price Administration and made available for use only as industry summaries.

TABLE 34.—*Average profits of shoe manufacturers as proportions of net sales and of net worth, by size of company, United States, 1942, 1944, and 1945.*¹

Pairs of shoes sold (number)	Percentage of profits before taxes to—					
	Net sales			Net worth		
	1942	1944	1945	1942	1944	1945
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Under 1,000,000.....	2. 71	4. 54	4. 01	17. 14	26. 96	25. 04
1,000,000—4,999,999.....	3. 94	5. 30	4. 21	21. 82	29. 64	26. 12
5,000,000—9,999,999.....	4. 88	4. 89	4. 34	33. 78	11. 61	18. 12
10,000,000—14,999,999.....	8. 34	6. 03	5. 02	25. 05	33. 37	28. 41
15,000,000—24,999,999.....	9. 01	8. 38	6. 08	25. 89	18. 78	16. 20
25,000,000—49,999,999.....	6. 80	6. 84	6. 10	31. 79	37. 22	23. 58
50,000,000—74,999,999.....	-----	5. 87	5. 05	-----	24. 45	20. 45
75,000,000—99,999,999.....	-----	6. 59	6. 04	-----	16. 49	15. 02
100,000,000 and over.....	10. 89	8. 44	5. 78	23. 10	16. 37	14. 43

¹ Based on reports for 211 shoe manufacturers which in 1939 accounted for about one-half of the total value of footwear (except rubber) as reported by Census of Manufactures: 1939.

From primary data assembled by the Office of Price Administration and made available for use only as industry summaries.

MEANS AND IMPORTANCE OF REDUCING COSTS

The efficiency of manufacturers of shoe and other leather products could be improved and the costs of production could be reduced by the installation of new and improved machinery and other equipment in well-designed and modernized plants that are organized and operated in accordance with the most improved methods. In addition, plans could be worked out with tanners, and perhaps with hide and skin producers, for obtaining adequate and dependable supplies of suitable leather and leather products. Adjustments in production would be needed to even out seasonal and year-to-year quantities of products turned out, so as to give more uniform employment and to utilize more efficiently the available labor and facilities. Such adjustments could be facilitated through joint manufacturer and distributor co-operation in planning a more uniform movement of the products through channels of distribution (7).

Machinery and other equipment of manufacturers of shoes and other leather products have been overworked during the war and the replacing of badly worn and obsolete equipment by new and improved machinery has been delayed by shortages. New and improved equipment, combined in accordance with the most effective plant lay-out, and operated in accordance with improved methods would be required to give the best results. Many new ideas and experiences relating to plant operation, developed during the war and aimed mainly at increasing production and reducing costs, need to be fully utilized in the

postwar period. Regular and thorough plant and production analyses, along with periodic check-ups and detailed records of production, would contribute to optimum results from plant lay-out and operation (?).

Improvements in handling operations, based on plant and worker motion and time studies, for manufacturers of shoes and other leather products may increase materially employee satisfaction and efficiency and reduce the over-all average costs of production per unit. The trend in plant operations appears to be toward simplification, standardization, and speed in handling, requiring specialized training of personnel. This may be supplied by in-service training programs. Changes made in one plant, as a result of analyses of handling operations, resulted in a speed-up of 58 percent in these operations without any increase in costs of labor or in labor effort, according to reports (?). As a result of this speed-up, operating costs per unit of product were reduced considerably.

Manufacturing wages account for about one-half of the gross margins for manufacturers of leather products. Means of increasing the efficiency and reducing the costs of labor include mutual understanding and cooperation on the part of labor and management in formulating and carrying out plans for modernizing plants. An important purpose of such modernization is to improve working conditions so as to attract and hold competent laborers. The modernization of plants might well be supplemented by in-service training programs for improving the skill of employees; by assigning the right men to the right jobs, so as to utilize fully the natural capacities and developed skills of the employees; by systematic advancements in accordance with ability and demonstrated performance, to encourage initiative and efficiency; and by prompt and effective means of allocating and removing causes of labor turn-over and costly slow-ups in production. The potentialities in this direction are indicated by results of industrial research showing that the productivity of skilled workers can be increased by as much as 50 percent above "normal" by these means without any extra drive on the workers' energies (?). The utilization of workers to their full potentialities, to the mutual benefit of workers and management, is perhaps the most effective means of reducing costs of manufacturing leather products.

The relative importance of reducing these costs may be indicated by data showing that in 1939, for example, shoe manufacturers' margins or costs averaged considerably more than the costs of the leather used, about three times as much as the returns to producers of the hides and skins used, and more than one-third of the costs to consumers of the finished products.

MARGINS FOR WHOLESALERS AND RETAILERS

These margins include the charges made by wholesalers and retailers for the services of taking leather products from manufacturers and delivering them to consumers at retail. The information in this section of the report relates mainly to finished leather products, such as shoes and other footwear, but some of the data for wholesalers relate to intermediate leather products, including leather and shoe findings.

USUAL PRACTICES

Finished leather products usually flow from manufacturers directly—or indirectly through wholesalers—to retailers for distribution to ultimate consumers. Although most of these products move directly from manufacturers to retailers, substantial proportions move from manufacturers to wholesalers who in turn sell to retailers. These wholesalers include service and limited-function wholesalers which are engaged primarily in the buying and selling of products on their own account and are largely independent in ownership; manufacturers' sales branches which are wholesale outlets owned and operated by the manufacturers, apart from their plants, primarily for the purpose of carrying stocks of, selling, and delivering their products; manufacturers' sales offices, which are distinguished from the manufacturers' sales branches by the fact that sales offices do not include facilities for the physical storage, handling, and delivery of merchandise; and agents and brokers, who operate as individuals or concerns having recognizable places of business and who are in business for themselves negotiating purchases and sales on commission, but who do not, as a rule, take title to the goods.

Census reports show that wholesalers of shoes and other footwear in 1939 included 463 service and limited-function wholesalers, 62 manufacturers' sales branches, 21 manufacturers' sales offices, and 107 agents and brokers. Wholesalers of leather and shoe findings included 955 service and limited-function wholesalers, 33 manufacturers' sales branches, 7 manufacturers' sales offices, and 164 agents and brokers. The other leather products were handled by 145 service and limited-function wholesalers, 23 manufacturers' sales branches, 21 manufacturers' sales offices, and 57 agents and brokers. The annual volume of sales of shoes and other footwear per wholesaler averaged \$255,400 for service and limited-function wholesalers, \$2,142,000 for manufacturers' sales branches, \$389,200 for manufacturers' sales offices and \$177,700 for agents and brokers. Similar data for other leather products show that the annual volume of sales per establishment averaged substantially greater for manufacturers' sales branches than for other wholesalers (18).

Service and limited-function wholesalers, according to census reports for 1939, handled 19 percent of manufacturers' sales of footwear (except rubber), 15 percent of the boot and shoe cut stock and findings, and 19 percent for all leather products combined. Most of these products were obtained directly from manufacturers without the services of agents, brokers, and commission merchants. Most of the footwear (except rubber) and other finished leather products were sold by these wholesalers directly to retailers, and a large proportion of the intermediate leather products was sold directly to industrial users, without the services of these intermediaries. Census reports show that in 1939 about 6 percent of these service and limited-function wholesalers of leather products made sales, and about 5 percent of total net sales of these products was made, through agents, brokers, and commission merchants (18).

Census reports on distribution of manufacturers' sales in 1939 show that manufacturers' wholesale branches and offices handled about 22 percent of the sales of footwear (except rubber), 14.4 percent of boot and shoe cut stock and findings, and about 18 percent of the sales of all

leather products combined. Most of the shoes and other finished leather products were sold by these agencies to retailers and much of the intermediate leather products was sold to industrial users. Information relative to the use of agents, brokers, and commission merchants by these wholesale branches and offices is incomplete but apparently only a small proportion of these branches and offices make sales through agents, brokers, and commission merchants (18).

Wholesalers of leather products make most of their sales on credit; and only a small proportion is made for spot cash. Census reports relating to cash-credit analysis of sales made by wholesalers of leather products show that in 1939 about three-fourths of the sales of shoes and other footwear, 30 percent of leather and shoe findings, and 39 percent of other leather were made on credit for more than 30 days. Only small proportions were sold for spot cash. These proportions varied considerably from one kind of wholesaler to another (table 35).

TABLE 35.—*Cash-credit basis of sales for wholesalers of leather and leather products, by kind of wholesaler and by products, United States, 1939*

SERVICE AND LIMITED-FUNCTION WHOLESALERS						
Kind of wholesaler and product	Total sales analyzed	Terms of sale				
		Total	Spot cash	Credit for—		
				10 days or less	11 to 30 days	More than 30 days
	1,000 dollars	Per-cent	Per-cent	Per-cent	Per-cent	Per-cent
Leather and shoe findings-----	107, 335	100. 0	7. 0	7. 2	48. 0	37. 8
Leather goods-----	12, 892	100. 0	6. 5	10. 5	40. 4	42. 6
Shoes and other footwear-----	116, 241	100. 0	2. 5	8. 3	32. 3	56. 9
Total or average-----	236, 468	100. 0	4. 8	7. 9	39. 9	47. 4
MANUFACTURERS' SALES BRANCHES						
Leather and shoe findings-----	44, 516	100. 0	0. 9	1. 7	84. 9	12. 5
Leather goods-----	7, 495	100. 0	3. 7	22. 1	42. 3	31. 9
Shoes and other footwear-----	107, 853	100. 0	. 5	2. 1	3. 7	93. 7
Total or average-----	159, 864	100. 0	. 8	2. 9	28. 1	68. 2
ALL WHOLESALERS						
Leather and shoe findings-----	151, 851	100. 0	5. 2	5. 6	58. 8	30. 4
Leather goods-----	20, 387	100. 0	5. 5	14. 8	41. 1	38. 6
Shoes and other footwear-----	224, 094	100. 0	1. 5	5. 3	18. 6	74. 6
Total or average-----	396, 332	100. 0	3. 2	5. 9	35. 1	55. 8

Abstracted from CENSUS OF BUSINESS: 1939, WHOLESALE TRADE (18).

Wholesalers supply a ready market outlet to manufacturers for products in rather large volume and relieve the manufacturers of making the many contacts necessary to sell directly to the smaller retailers. Their large-lot purchases and the assembly services they render permit large-lot shipments over long distances, thus reducing transportation costs. They reduce the storage burden and the credit risks of manufacturers by advance buying, particularly for goods with seasonal sales. Occasionally they may help finance producers by advancing funds, or they may assume some of the financial risks which arise in dealing with retailers, whose rate of failure is relatively high.

On the other hand, they perform important services for retailers. Their assembly services enable the retailers to obtain their supplies from relatively few sources and to reduce their overhead costs by the use of small stocks and more rapid turn-over. Total storage costs are reduced because large-scale storage in a wholesalers' warehouse is cheaper than storage on the relatively high-rent retail shelves. In addition, wholesalers provide retailers with credit and other services.

Retailers in turn assemble goods primarily for the benefit of consumers. They bring together at convenient places varied stocks that will satisfy the needs and tastes of the community. On the other hand, they collect and pass back to wholesalers and manufacturers information relative to the consumers' demands for use as a guide to production. Retailers do some of the job of storing, take some of the risks involved in buying and selling goods, may grant credit to customers who cannot afford to pay cash for the goods they buy, and render delivery and other services.

Census reports show that in 1939, for example, the number of retail shoe stores totaled 20,487 and the value of sales totaled \$617,064,000 (table 36). The total volume of sales per establishment averaged about \$30,000 and ranged from less than \$10,000 to more than \$300,000. Less than 5 percent of the establishments had an annual volume of sales of \$100,000 or more, but more than 28 percent of total sales was accounted for by these establishments. About 31 percent of the establishments had annual sales of less than \$10,000 each and only about 5 percent of total sales was accounted for by them. Chain stores accounted for about one-third of the number, and about one-half of the total volume of sales of retail shoe stores.

Information relating to the legal form of organizational set-up for retail shoe stores show that in 1939 about one-half of them were individual proprietorships, four-fifths were corporations, and 10 percent were partnerships, cooperative associations, and other forms of organization. Of the total volume of sales made by these stores, about 24 percent was accounted for by those operated as individual proprietorships, 68 percent by those operated as corporations, and 8 percent by those operated as other forms (17).

Data presented earlier in this report relative to market outlets for manufacturers and wholesalers of finished leather products indicate that retail shoe stores get most of their total supplies of footwear directly from shoe-manufacturing companies and that substantial proportions are obtained from other wholesalers. Reports of the Federal Trade Commission relative to leather-footwear purchases of nine retail chain shoe-store companies show that, in 1935 or 1936, about 91

TABLE 36.—*Number of retail shoe stores and total sales reported by kind of store and by volume of sales, United States, 1939*

Annual volume of sales	All stores			Independent stores			Chain stores		
	Stores reported	Total sales reported		Stores reported	Total sales reported		Stores reported	Total sales reported	
	Number	1,000 Dollars	Per-cent	Number	1,000 Dollars	Per-cent	Number	1,000 Dollars	Per-cent
Total.....	20,487	617,064	100.0	13,658	271,683	100.0	6,829	345,381	100.0
\$300,000 and over.....	97	45,818	7.4	33	18,375	6.8	64	27,443	8.0
\$100,000—\$299,999.....	849	129,781	21.0	198	30,301	11.1	651	99,480	28.8
\$50,000—\$99,999.....	2,150	145,508	23.6	699	46,372	17.1	1,451	99,136	28.7
\$30,000—\$49,999.....	3,174	121,472	19.7	1,395	52,366	19.3	1,779	69,106	20.0
\$20,000—\$29,999.....	3,000	74,097	12.0	1,705	41,676	15.3	1,295	32,421	9.4
\$10,000—\$19,999.....	4,785	69,862	11.3	3,824	55,211	20.3	961	14,651	4.2
Under \$10,000.....	6,432	30,526	5.0	5,804	27,382	10.1	628	3,144	.9

Abstracted from or based on CENSUS OF BUSINESS, VOL. I; RETAIL TRADE (17).

percent of total purchases was obtained direct from shoe-manufacturing companies (table 37). The proportion of the total supply that was obtained through these sources varied widely from one company to another.

Most of the shoes handled by retailers are sold to consumers on a cash basis but a small proportion is sold on credit. Data relating to cash and credit sales of retail shoe stores show that in 1939, for example, about 70 percent of the number of stores operated on a cash and 30 percent on a cash-credit basis. Of the total volume of sales made, about 74 percent was accounted for by cash sales in cash stores, 18 percent by cash sales in cash-credit stores, and 8 percent by credit sales in cash-credit stores. Stores reporting credit sales indicated that about 98 percent of these sales were made on open account and 2 percent on installments (17).

TABLE 37.—*Leather footwear purchases of 9 retail chain shoe-store companies,¹ by sources of supply, calendar year 1935 or fiscal year 1936²*

Sources of supply	Leather footwear purchases ³	
	Pairs ⁴	Percent- age of total
Jobbers and wholesalers.....	1, 354, 418	4. 27
Company-owned or -controlled shoe plants ⁵	1, 498, 059	4. 72
Shoe-manufacturing companies (not owned or controlled by reporting companies) ⁶	28, 851, 389	90. 89
All other sources.....	37, 148	. 12
Total.....	31, 741, 014	100. 00

¹ Includes the following companies: Cannon Shoe Co.; Edison Bros. Stores, Inc.; Melville Shoe Corp.; Sheppard & Myers, Inc.; the Feltman & Curme Shoe Stores Co.; the Nisley Co.; the Schiff Co.; Wohl Shoe Co.; and Wolfe Wear-U-Well Corp.

² Of the 9 companies, 8 reported purchases for the calendar year 1935; 1 for the fiscal year ended Jan. 31, 1936.

³ Includes leather boots, shoes, and slippers. Does not include footwear made of rubber, canvas, or other textile fabrics.

⁴ Of the 9 companies, 3 reported estimated quantities purchased.

⁵ Includes companies of which the reporting company is a subsidiary or controlled company.

⁶ Includes companies of which the reporting company is not a subsidiary or controlled company.

Reproduced from U. S. FEDERAL TRADE COMMISSION. AGRICULTURAL INCOME INQUIRY, PT. I, PRINCIPAL FARM PRODUCTS (22, p. 1,035).

CHARGES OR COSTS

Operating expenses of wholesalers of leather products in 1939, according to census reports, averaged 12.9 percent of total sales for leather and shoe findings, 19.8 percent for leather goods, and 12.8 percent for shoes and other footwear. Data assembled by the Office of Price Administration show that wholesalers' margins for leather

averaged about 17.6 percent of net sales during the 10-year period 1936-45, and ranged from 15.9 percent in 1941 to 19.7 percent in 1936. Similar data for shoes show average gross margins of 20.5 percent of net sales during this 10-year period and these margins ranged from 19 percent of net sales in 1940 to 22 percent in 1945.

Wholesalers' margins or expenses per dollar of sale for handling leather products usually are considerably less for establishments with large volumes of sales than for those with small volumes. Census reports show that operating expenses for wholesaling shoes and other footwear, for example, ranged from an average of 11 percent of total sales for establishments with annual sales of \$2,000,000 and more to 16.3 percent for those with annual sales of \$10,000 to \$50,000 (table 38).

TABLE 38.—*Total sales and operating expenses of wholesalers of leather products, United States, 1939*

Product and business-size group (annual sales, in dollars)	Estab- lish- ments reported	Total sales	Operating expenses	
			Total amount	Proportion of sales
	<i>Number</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>Percent</i>
Leather and shoe findings.....	934	112, 748	14, 515	12. 9
2,000,000 and over.....	5	21, 010	924	4. 4
1,000,000-1,999,999.....	10	13, 249	1, 453	11. 0
500,000-999,999.....	20	14, 438	1, 415	9. 8
300,000-499,999.....	29	11, 141	1, 487	13. 3
200,000-299,999.....	39	9, 609	1, 466	15. 3
100,000-199,999.....	131	18, 183	3, 178	17. 5
50,000-99,999.....	203	14, 194	2, 642	18. 6
10,000-49,999.....	387	10, 259	1, 806	17. 6
Under 10,000.....	110	665	144	21. 7
Leather goods.....	137	12, 691	2, 511	19. 8
300,000 and over.....	12	6, 105	903	14. 8
200,000-299,999.....	7	1, 631	385	23. 6
100,000-199,999.....	11	1, 473	406	27. 6
50,000-99,999.....	29	2, 061	435	21. 1
10,000-49,999.....	53	1, 280	344	26. 9
Under 10,000.....	25	141	38	27. 0
Shoes and other footwear.....	453	116, 182	14, 838	12. 8
2,000,000 and over.....	6	13, 659	1, 504	11. 0
1,000,000-1,999,999.....	19	25, 406	3, 131	12. 3
500,000-999,999.....	42	28, 981	3, 689	12. 7
300,000-499,999.....	39	14, 689	1, 938	13. 2
200,000-299,999.....	53	12, 837	1, 742	13. 6
100,000-199,999.....	85	12, 400	1, 599	12. 9
50,000-99,999.....	71	5, 013	703	14. 0
10,000-49,999.....	106	3, 001	490	16. 3
Under 10,000.....	32	196	42	21. 4

Abstracted from CENSUS OF BUSINESS: 1939, WHOLESALE TRADE (19).

The principal items of cost included in margins for wholesalers of leather products are administration and selling expenses. Census reports show that in 1939, for example, costs of administration accounted for 3.4 percent of the selling price and 33 percent of the wholesalers' operating expenses for leather and shoe findings, 6.8 percent of the selling price and 40 percent of the wholesalers' expenses for leather goods, and 4.3 percent of the selling price and 34 percent of the wholesalers' expenses for shoes and other footwear (table 39). It should be noted that operating expenses of wholesalers as reported in the Census of Business do not include compensation for active proprietors of unincorporated businesses. Selling costs accounted for 29 percent of total wholesalers' expenses for handling leather and shoe findings and shoes and other footwear, and 25 percent for other leather goods. Occupancy accounted for about one-eighth of total wholesalers' expenses for leather and shoe findings and leather goods and 11 percent for shoes and other footwear. Warehouse, delivery, and other expenses each accounted for relatively small proportions of operating expenses of wholesalers of leather products.

The relative importance of most items of expense for wholesalers of leather products varies considerably with the size of business as indicated by annual volume of sales. The proportions of the selling prices of leather and shoe findings accounted for by each important item of expense averaged substantially less for establishments with annual sales of \$1,000,000 or more than for those with annual sales of \$100,000 to \$200,000 (table 39). The ratio of the number of active proprietors to the number of employees is much greater for the smaller than for the larger wholesale establishments. If compensation for these proprietors were included in wholesalers' expenses, the variations in operating expenses per dollar of sale with annual volume of sales would be greater than those shown in census reports.

The proportions of the selling prices of shoes and other footwear that were accounted for by specific items of expense included in wholesalers' margins show irregular variations with annual volumes of sale (table 39). Average costs per dollar of sale for administration, occupancy, delivery, and "other" services varied inversely, for the most part, with annual volumes of sales. Average warehouse expenses per dollar of sales varied irregularly, and similar costs for labor varied directly, with annual volumes of sales.

Information assembled by the Office of Price Administration shows that during the 10-year period 1936-45, selling, general, and administrative expenses of wholesalers of leather averaged 7.3 percent of net sales and ranged from 10.6 percent in 1936 to 4.5 percent in 1944 (table 40). Compensation of officers averaged 5 percent of net sales during this 10-year period and ranged from 3.3 percent in 1941 to 6 percent in 1938. Other salaries and wages averaged 4.8 percent of net sales and ranged from 4.1 percent in 1936 to 5.6 percent in 1940. Net operating results show an average profit of less than 1 percent of net sales for the 10 years and ranged from a net loss of 4.1 percent of net sales in 1940 to net profits of 3.1 percent in 1942.

Data for 34 independent wholesalers of shoes show that the wholesalers' gross margins increased from an average of about 14 percent of net sales during the late 1930's to 17 percent in 1945 (table 41).

TABLE 39.—*Operating expenses of wholesale merchants whose sales of leather products amounted to \$100,000 or more, United States, 1939*

Product and business-size group (annual sales in dollars)	Estab- lish- ments reported	Volume of sales	Operating expenses as proportions of sale ¹							Active proprietors of unin- corporated businesses
			Total	Adminis- tration	Selling	Deliv- ery	Ware- house	Occu- pancy	Other	
	<i>Number</i>	<i>1,000 dollars</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Number</i>
Leather and shoe findings.....	141	59,427	10.4	3.4	3.0	0.9	0.7	1.3	1.1	81
1,000,000 and over.....	12	28,492	6.7	1.9	1.9	.7	.6	.7	.9	-----
500,000-999,999.....	13	8,781	10.1	4.0	3.0	1.0	.6	.8	.7	7
300,000-499,999.....	15	5,546	11.9	4.2	3.5	.7	.6	1.5	1.4	11
200,000-299,999.....	23	5,780	13.2	4.1	4.3	1.4	.6	1.7	1.1	13
100,000-199,999.....	78	10,828	18.3	6.2	5.2	1.3	1.0	2.8	1.8	50
Leather goods.....	19	6,671	17.0	6.8	4.3	1.5	.8	2.1	1.5	3
Shoes and other footwear.....	177	86,667	12.6	4.3	3.7	.9	1.1	1.4	1.2	110
1,000,000 and over.....	23	(²)	12.0	4.1	4.0	.8	1.2	.9	1.0	-----
500,000-999,999.....	33	22,455	12.7	4.2	4.1	.8	1.1	1.2	1.3	22
300,000-499,999.....	26	9,848	13.3	4.7	3.0	1.2	1.3	1.8	1.3	20
200,000-299,999.....	43	10,364	13.8	4.7	3.4	1.2	1.0	2.1	1.4	32
100,000-199,999.....	52	(²)	12.9	4.8	2.8	.8	1.1	2.0	1.4	36

¹ Operating expenses include no compensation for active proprietors of unincorporated businesses.² Withheld to avoid disclosure.

Abstracted from CENSUS OF BUSINESS: 1939, WHOLESALE TRADE (18).

TABLE 40.—Average costs and margins for wholesalers of leather, expressed as proportions of net sales, United States, by years, 1936-45¹

Item	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of leather sold.....	80.3	83.8	81.5	82.4	82.9	84.1	81.8	82.0	82.3	82.4
Gross margin.....	19.7	16.2	18.5	17.6	17.1	15.9	18.2	18.0	17.7	17.6
Selling, general, and administrative expense.....	10.6	7.3	9.1	8.0	9.8	6.7	6.0	5.4	4.5	5.2
Compensation of officers.....	4.6	5.3	6.0	4.8	5.8	3.3	4.7	5.0	5.0	5.1
Salaries and wages.....	4.1	4.3	5.2	5.2	5.6	4.3	4.4	5.0	5.3	4.4
Net operating profit.....	.4	² 7	² 1.8	² 4	² 4.1	1.6	3.1	2.6	2.9	2.9
Nonoperating revenue.....	1.7	2.3	2.2	2.4	4.8	2.5	.7	1.2	1.1	1.2
Interest expense.....	.5	.3	.3	.3	.5	.3	.1	.2	.2	.1
Net profit before tax.....	1.6	1.3	.1	1.7	.2	3.8	3.7	3.6	3.8	4.0

¹ Based on reports for 69 companies.² Loss.

Primary data assembled by Office of Price Administration and made available for use only as industry summaries.

The proportions of net sales accounted for by operating expenses decreased and net operating profits increased. Margins for operating expenses and for profits varied irregularly with annual volume of sales (12).

TABLE 41.—Average costs and margins for independent wholesalers of shoes, by sales volume, United States, 1936-39 and 1944, 1945

ALL 34 WHOLESALERS

Item	1936	1937	1938	1939	1944	1945
	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent
Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	85.7	85.7	85.7	86.0	83.3	83.0
Gross margin.....	14.3	14.3	14.3	14.0	16.7	17.0
Operating expenses.....	12.2	12.4	13.0	12.7	11.4	11.5
Net operating profit.....	2.1	1.9	1.3	1.3	5.3	5.5

12 WHOLESALERS WITH ANNUAL SALES UNDER \$500,000

Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	87.3	87.0	87.3	85.5	85.4	83.9
Gross margin.....	12.7	13.0	12.7	14.5	14.6	16.1
Operating expenses.....	11.1	11.7	13.1	12.4	9.2	9.0
Net operating profits.....	1.6	1.3	1.4	2.1	5.4	7.1

5 WHOLESALERS WITH ANNUAL SALES OF \$500,000 TO \$1,000,000

Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	86.6	84.5	86.3	84.4	80.7	80.2
Gross margin.....	13.4	15.5	13.7	15.6	19.3	19.8
Operating expenses.....	12.0	12.9	12.2	12.7	12.3	12.5
Net operating profit.....	1.4	2.6	1.5	2.9	7.0	7.3

17 WHOLESALERS WITH ANNUAL SALES OF \$1,000,000 AND OVER

Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	85.4	85.8	85.4	86.3	83.4	83.1
Gross margin.....	14.6	14.2	14.6	13.7	16.6	16.9
Operating expenses.....	12.3	12.4	13.1	12.7	11.5	11.6
Net operating profit.....	2.3	1.8	1.5	1.0	5.1	5.3

¹ Loss.

Adopted from OFFICE OF TEMPORARY CONTROLS. SURVEY OF LEATHER TANNERS, SHOE MANUFACTURERS, AND WHOLESALE AND RETAIL SHOE DISTRIBUTORS (12).

Median profits of wholesalers of men's and women's shoes averaged 1.81 percent of net sales during the 5 years 1939-43, and ranged from 0.14 percent in 1940 to 3.11 percent in 1942 (table 42). These profits averaged 7.08 percent of tangible net worth during this period and ranged from 0.5 percent of tangible net worth in 1940 to 14.68 percent of net worth in 1943.

TABLE 42.—*Median profits of wholesalers of men's and women's shoes as proportions of net sales and of tangible net worth, United States, 1939-43*

Year	Concerns Reported	Net profits ¹ as proportion of—	
		Net sales ²	Tangible net worth ³
	<i>Number</i>	<i>Percent</i>	<i>Percent</i>
1939-----	39	1. 08	3. 60
1940-----	28	. 14	. 50
1941-----	35	2. 44	7. 67
1942-----	40	3. 11	8. 97
1943-----	40	2. 29	14. 68
Average 1939-43-----	36	1. 81	7. 08

¹ Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures, and other assets of a fixed nature; after reserves for Federal income and excess profit taxes; after reserves for renegotiation in the case of war contracts; after reductions in the value of inventory to cost or market, whichever was lower; after charge-offs for bad debts; and after all miscellaneous reserves and adjustments; but before dividends or withdrawals.

² The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales, and after voluntary price deductions on the part of war contractors.

³ The sum of all outstanding preferred stocks (if any) and outstanding common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good will, trade-marks, patents, copyrights, leaseholds, mailing lists, treasury stocks, organization expenses, and underwriting discounts and expenses.

Abstracted from a report by FOULKE, ROY A. NATIONAL THRIFT AND THE PUBLIC DEBT (2).

Operating expenses of retail shoe stores, according to census reports for 1935, averaged 27.9 percent of total sales, for all types of stores combined (table 43). The proportions by type of store ranged from 25.7 percent of total sales for independent to 33.3 percent for types other than independents, chains, lease departments, and mail-order houses. These operating expenses do not include compensation for active proprietors of unincorporated businesses and profits. If remunerations for these proprietors were included at the average rate for employees, the operating expenses for all stores combined would average about 30.2 percent of total sales and the expenses for independent stores would equal or exceed those for chains and leased departments.

Retailers' margins for handling leather goods apparently have widened somewhat in recent years. Operating results for 300 retail shoe stores, not including chains nor the large stores in metropolitan centers, in 1939, as reported by Dun and Bradstreet, Inc., show that retailers' margins averaged 32.9 percent of net sales (10). Data assembled by the Office of Price Administration show that retailers' gross margins for shoes averaged 34 percent of net sales in 1939 and ranged from 32.4 percent in 1938 to 38.4 percent in 1945. Data relative to typical margins and costs for merchandising shoes and

small leather goods by department and specialty stores, as reported by the National Retail Dry Goods Association, show that these margins for men's and boys' shoes increased from 37.7 percent of the retail price in 1939 to 39.3 percent in 1944 (11). Similar proportions for women's and children's shoes increased from 37.7 percent in 1939 to 41 percent in 1944, and those for small leather goods increased from 36.8 percent in 1939 to 39.3 percent in 1942 and 1943 and then decreased to 38 percent in 1944.

TABLE 43.—*Total sales and operating expenses of retail shoe stores, by types, United States, 1935*

Type of store	Stores	Total sales	Operating expenses ¹		Active proprietors
			Amount	Proportion of sales	
	<i>Number</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>Percent</i>	<i>Number</i>
Shoe stores—all.....	18, 967	511, 399	142, 884	27. 9	11, 668
Independents.....	13, 027	221, 712	56, 951	25. 7	11, 452
Chains.....	5, 006	255, 564	75, 486	29. 5	99
Leased departments.....	892	32, 269	9, 840	30. 5	85
Mail-order houses.....	7	1, 500	489	32. 6	3
All other types.....	35	354	118	33. 3	29

¹ No compensation for active proprietors of unincorporated businesses included.

U. S. Department of Commerce. CENSUS OF BUSINESS: 1935, RETAIL DISTRIBUTION (16).

The proportions of net sales of shoes in retail stores, other than chains and the larger stores in metropolitan centers, accounted for by retailers' margins vary considerably with the population of the towns and cities in which the stores are located and with the annual volume of sales. Retailers' margins for shoe stores in 1939 averaged about 32 percent of net sales for those in towns of less than 20,000 population, 34 percent for those in cities of 20,000 to 100,000 population, and 35 percent for those in cities of 100,000 population and more (10). The margins for stores in towns with less than 20,000 population varied irregularly with annual volume of sales. Those for stores in cities of 20,000 to 100,000 population ranged from 33.7 percent of net sales for those with annual sales of \$50,000 to \$300,000 to 34.9 percent for those with annual sales of less than \$20,000. For stores in cities of 100,000 population and more, retailers' margins ranged from 32.7 percent of net sales for those with annual sales of \$50,000 to \$300,000 to 37.3 percent for those with annual sales of less than \$20,000.

The proportions of net sales accounted for by the margins for shoes and small leather goods in department stores vary considerably with the annual volume of sales. Reports of the National Retail Dry Goods Association for 1939, for example, show that the proportions

of net sales of men's and boys' shoes by department stores accounted for by typical retailers' margins increased from 34.2 percent for stores with annual sales of \$500,000 to \$1,000,000 to 39.4 percent for those with annual sales of more than \$10,000,000 (11). Similar proportions for women's and children's shoes increased from 36.3 percent for stores with annual sales of \$500,000 to \$1,000,000 to 38.4 percent for those with annual sales of more than \$10,000,000. It is not known to what extent these differences in margins may be accounted for by the influence of differences in population of the towns and cities in which the stores are located, by additional services performed, such as wholesaling functions by the larger department stores, and by other factors such as differences in price lines and in the importance of style for the goods sold.

Results of a comprehensive survey made by the Bureau of Labor Statistics for the Office of Price Administration to supply information relative to retailers' margins for apparel in various kinds of retail stores throughout the United States show that these margins for leather goods varied considerably. The survey covered about 2,600 retail stores in about 150 cities of various sizes distributed throughout this country. Data relating to retail prices and costs were obtained through personal interviews for the best-selling price lines of the commodities. The data on costs do not include freight and other transportation charges. Any cash discounts allowed were not deducted from costs regardless of whether the buyer took advantage of the discount by making payment within the allotted time.

Data relative to retail prices, costs, and margins were assembled for the months of March and September 1941 and 1942. Analysis of these data showed that margins in March were usually about the same as the corresponding margins in September of the same year. The detailed data presented in this report are confined to those for September 1941 and 1942, but essentially the same results would be shown by the data for March 1941 and 1942. A general examination of the data indicates that percentage margins varied irregularly from one type of store to another and from one size group to another in the same region. Some regional variations in margins were indicated but at least a part of these variations may be accounted for by differences in transportation costs.

These data relating to typical costs to retailers, not including freight and other transportation charges, and to retail prices for popular-price lines show that in September 1942 retailers' margins for leather goods averaged about 36 percent of the retail price and ranged from less than 30 percent to more than 40 percent of these prices (table 44). Margins for men's dress shoes, for example, ranged from 33 percent to 41 percent of the retail price. Similar proportions for other products show ranges from 32 to 38 percent for boys' shoes, 33 to 42 percent for women's novelty shoes, and 34 to 42 percent for women's and girls' staple shoes. Similar ranges for other items are shown in table 44. The margins in September 1942 usually averaged about the same as the corresponding margins a year earlier.

Retailers' margins when expressed as proportions of the retail price of the products usually average somewhat greater for the higher than for the lower price lines. Data relating to average retailers' margins for popular-price lines of leather goods in September 1941 and 1942

show some irregular variations but usually the proportions of the retail price accounted for by the retailers' margins increased from the lower to the higher price lines (table 44). These margins, in September 1942, for different price lines for a number of products were arranged from the lowest to the highest reported and then divided into 4 groups of approximately the same number of price lines and are shown in table 45. Retailers' margins for these groups, when expressed as proportions of the retail price, almost invariably increased appreciably from the lowest to the higher-price group.

TABLE 44.—Average retail price, cost, and margin for popular-price lines of shoes and other leather goods, United States, September 1941 and 1942¹

Item	Re-tail price line	1941					1942				
		Stores reported	Average cost ²	Retail margin			Stores reported	Average cost ²	Retail margin		
				Actual	Proportion of retail price				Actual	Proportion of retail price	
	Dol-lars	Num-ber	Dol-lars	Dol-lars	Per-cent		Num-ber	Dol-lars	Dol-lars	Per-cent	
Men's and boys' house slippers.....	1. 98	102	1. 33	0. 65	32. 8		58	1. 34	0. 64	32. 3	
Do.....	2. 95	79	1. 83	1. 12	38. 0		79	1. 87	1. 08	36. 6	
Do.....	3. 95	39	2. 40	1. 55	39. 2		44	2. 47	1. 48	37. 5	
Work shoes.....	2. 98	49	1. 96	1. 02	34. 2		65	2. 04	. 94	31. 5	
Do.....	3. 98	40	2. 61	1. 37	34. 4		85	2. 68	1. 30	32. 7	
Do.....	4. 95	34	3. 02	1. 93	39. 0		50	3. 13	1. 82	36. 8	
Dress shoes.....	2. 98	40	1. 87	1. 11	37. 2		37	1. 90	1. 08	36. 2	
Do.....	3. 98	48	2. 56	1. 42	35. 7		82	2. 67	1. 31	32. 9	
Do.....	6. 95	27	3. 88	3. 07	44. 2		79	4. 13	2. 82	40. 6	
Do.....	10. 50	17	6. 21	4. 29	40. 9		23	6. 39	4. 11	39. 1	
Gloves—dress.....	1. 49	32	. 90	. 59	39. 6		82	. 94	. 55	36. 9	
Do.....	1. 95	91	1. 22	. 73	37. 4		70	1. 24	. 71	36. 4	
Do.....	2. 95	117	1. 79	1. 16	39. 3		114	1. 81	1. 14	38. 6	
Do.....	3. 95	64	2. 30	1. 65	41. 8		96	2. 31	1. 64	41. 5	
Gloves—work—leath-er palm.....	. 39	34	. 24	. 15	38. 5		59	. 26	. 13	33. 3	
Do.....	. 59	62	. 40	. 19	32. 2		26	. 39	. 20	33. 9	
Do.....	. 79	49	. 53	. 26	32. 9		101	. 56	. 23	29. 1	
Gloves—work—all leather.....	. 79	38	. 53	. 26	32. 9		24	. 51	. 28	35. 4	
Do.....	. 98	55	. 68	. 30	30. 6		47	. 70	. 28	28. 6	
Do.....	1. 25	30	. 81	. 44	35. 2		41	. 83	. 42	33. 6	
Boys' shoes—dress.....	1. 98	71	1. 36	. 62	31. 3		49	1. 34	. 64	32. 3	
Do.....	2. 98	56	1. 97	1. 01	33. 9		64	2. 01	. 97	32. 6	
Do.....	3. 95	78	2. 52	1. 43	36. 2		91	2. 58	1. 37	34. 7	
Do.....	5. 00	32	3. 04	1. 96	39. 2		42	3. 09	1. 91	38. 2	
Women's house slip-pers.....	1. 19	38	. 79	. 40	33. 6		44	. 80	. 39	32. 8	
Do.....	1. 49	22	. 92	. 57	38. 3		45	. 99	. 50	33. 6	
Do.....	1. 98	90	1. 24	. 74	37. 4		70	1. 37	. 61	30. 8	
Do.....	4. 00	55	2. 39	1. 61	40. 2		46	2. 43	1. 57	39. 2	

See footnotes at end of table.

TABLE 44.—Average retail price, cost, and margin for popular-price lines of shoes and other leather goods, United States, September 1941 and 1942 ¹—Continued

Item	Re-tail price line	1941					1942			
		Stores re-reported	Average cost ²	Retail margin			Stores re-reported	Average cost ²	Retail margin	
				Ac-tual	Pro-portion of retail price				Ac-tual	Pro-portion of retail price
	Dol-lars	Num-ber	Dol-lars	Dol-lars	Per-cent		Num-ber	Dol-lars	Dol-lars	Per-cent
Women's novelty-----	1. 98	39	1. 36	. 62	31. 3		12	1. 33	. 65	32. 8
Do-----	2. 98	62	1. 88	1. 10	36. 9		18	2. 01	. 97	32. 6
Do-----	3. 98	48	2. 48	1. 50	37. 7		51	2. 52	1. 46	36. 7
Do-----	6. 95	57	3. 83	3. 12	44. 9		101	4. 01	2. 94	42. 3
Misses' shoes-----	1. 98	92	1. 32	. 66	33. 3		50	1. 38	. 60	30. 3
Do-----	2. 98	44	1. 94	1. 04	34. 9		57	1. 96	1. 02	34. 2
Do-----	3. 95	55	2. 37	1. 58	40. 0		73	2. 46	1. 49	37. 7
Do-----	5. 00	26	2. 97	2. 03	40. 6		34	3. 03	1. 97	39. 4
Children's shoes-----	1. 49	69	. 97	. 52	34. 9		62	1. 03	. 46	30. 9
Do-----	1. 98	71	1. 35	. 63	31. 8		79	1. 33	. 65	32. 8
Do-----	2. 95	43	1. 88	1. 07	36. 3		40	1. 88	1. 07	36. 3
Do-----	3. 95	26	2. 39	1. 56	39. 5		42	2. 45	1. 50	38. 0
Infant shoes—soft sole	. 59	56	. 38	. 21	35. 6		47	. 37	. 22	37. 3
Do-----	1. 00	108	. 65	. 35	35. 0		82	. 66	. 34	34. 0
Do-----	1. 25	49	. 73	. 52	41. 6		67	. 75	. 50	40. 0
Do-----	1. 98	12	1. 23	. 75	37. 9		17	1. 24	. 74	37. 4
Women's and girls'—staple	2. 49	41	1. 63	. 86	34. 5		74	1. 64	. 85	34. 1
Do-----	2. 98	47	1. 94	1. 04	34. 9		74	1. 93	1. 05	35. 2
Do-----	3. 95	71	2. 40	1. 55	39. 2		74	2. 48	1. 47	37. 2
Do-----	6. 95	29	3. 97	2. 98	42. 9		99	4. 04	2. 91	41. 9
Women's, misses' and juniors' handbags---	1. 00	304	. 64	. 36	36. 0		179	. 66	. 34	34. 0
Do-----	2. 98	112	1. 79	1. 19	39. 9		117	1. 84	1. 14	38. 3
Do-----	5. 00	55	2. 97	2. 03	40. 6		57	2. 97	2. 03	40. 6
Gloves-----	1. 00	406	. 61	. 39	39. 0		361	. 62	. 38	38. 0
Do-----	2. 98	22	1. 79	1. 19	39. 9		22	1. 78	1. 20	40. 3
Do-----	3. 50	13	1. 94	1. 56	44. 6		19	2. 00	1. 50	42. 9
Do-----	. 59	107	. 37	. 22	37. 3		102	. 38	. 21	35. 6

¹ Data were obtained through personal interviews by a survey covering about 2,600 retail stores in about 150 cities throughout the United States.

² Data on costs do not include freight and other transportation charges. Cash discounts allowed were not deducted from costs regardless of whether the buyer took advantage of them by paying within allotted time, and no allowance was made for mark-downs, for damaged goods, or for inventory losses.

Primary data collected by the Bureau of Labor Statistics for the Office of Price Administration and made available by the latter agency for use only as industry summaries.

TABLE 45.—Average retailer's margins for popular-price shoes expressed as proportions of retail prices in the United States, September 1942¹

Item	Price lines			
	Lowest one-fourth	Second lowest one-fourth	Second highest one-fourth	Highest one-fourth
	Percent	Percent	Percent	Percent
Infants' soft sole.....	33.9	35.1	38.1	39.0
Children's.....	34.4	33.5	34.6	37.5
Misses'.....	32.5	34.7	37.6	41.3
Women's and girls'—staple.....	30.2	35.3	40.8	42.0
Women's—novelty.....	36.6	41.1	41.7	43.5
Boys' dress.....	34.5	32.0	33.6	36.7
Men's work.....	31.7	32.5	35.7	37.3
Men's dress.....	32.5	36.0	38.9	39.2
Average.....	33.3	35.0	37.6	39.6

¹ Data were obtained through personal interviews by a survey covering about 2,600 retail stores in about 150 cities throughout the United States. Data on costs do not include freight and other transportation charges. Cash discounts allowed were not deducted from costs regardless of whether the buyer took advantage of them by paying within allotted time, and no allowance was made for mark-downs, for damaged goods, or for inventory losses.

Primary data collected by the Bureau of Labor Statistics for the Office of Price Administration and made available by the latter agency for use only as industry summaries.

Margins for different retailers of the same commodity and price line vary widely. Frequency distributions of retailers' margins for specified leather goods and price lines show that in September 1941 and 1942 margins for individual retailers ranged from less than 21 percent to more than 48 percent of the retail price (table 46). Most of the margins come within the range of 30 to 45 percent. But substantial proportions of the retailers' margins for men's work shoes, misses' shoes, and men's work gloves were less than 30 percent; and substantial proportions of these margins for women's novelty shoes and men's dress gloves exceeded 45 percent of the retail price. These data relative to variations in margins from one retailer to another contribute to an understanding of the averages shown in table 44, page 67.

Salaries and wages were the most important items included in retailers' margins for leather goods. Census reports show that in 1939 pay rolls, including wages and salaries of paid executives of corporations but no compensation for proprietors of unincorporated businesses, averaged 11.3 percent of net sales (17). The number of active proprietors of unincorporated businesses for retail shoe stores averaged about 17 percent of the number of employees. Compensation to these proprietors equal to the average for employees would total about 2 percent of net sales for all stores combined. Other items of cost included in retail margins for shoe stores are not shown in the 1939 census reports.

TABLE 46.—*Frequency distributions of retail margins for popular price lines of leather products, United States, September, 1941 and 1942*¹

[illegible]

	Women's and girls' \$3.95 staple shoes		Misses' \$1.98 shoes		Men's \$2.95 dress gloves		Men's \$0.98 work gloves		Women's and girls' \$1.00 gloves		Women's and girls' \$2.98 handbags	
	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
48.0 and over-----	8.5	6.8	1.1	0	10.2	11.4	0	0	0.5	0.3	6.2	2.6
45.0 to 47.9-----	9.9	0	0	0	7.7	9.4	0	0	.5	0	0	0
42.0 to 44.9-----	5.6	0	1.1	0	3.4	25.0	5.5	0	23.2	17.7	0	6.8
39.0 to 41.9-----	18.3	16.2	10.9	2.0	23.9	25.0	0	0	24.2	22.2	55.4	29.9
36.0 to 38.9-----	32.4	36.5	30.4	12.0	39.3	21.9	18.2	10.6	37.9	42.1	34.8	52.1
33.0 to 35.9-----	18.3	33.8	5.4	8.0	.9	4.2	5.5	6.4	8.4	12.4	0	0
30.0 to 32.9-----	4.2	5.4	19.6	32.0	11.9	1.0	20.0	31.9	3.2	1.9	2.7	6.8
27.0 to 29.9-----	1.4	0	8.7	18.0	.9	2.1	34.5	17.0	1.7	2.2	0	0
24.0 to 26.9-----	1.4	1.3	21.7	26.0	.9	0	1.8	8.5	.2	.6	0	0
21.0 to 23.9-----	0	0	0	0	0	0	10.9	19.2	0	0	9	.9
Under 21.0-----	0	0	1.1	2.0	.9	0	3.6	6.4	.2	.6	0	.9
Total-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Data were obtained through personal interviews by a survey covering about 2,600 retail stores in about 150 cities throughout the United States. Data on costs do not include freight and other transportation charges. Cash discounts allowed were not deducted from costs regardless of whether the buyer took advantage of them

by paying within allotted time, and no allowance was made for mark-downs, for damaged goods, or for inventory losses.

Primary data collected by the Bureau of Labor Statistics for the Office of Price Administration and made available by the latter agency for use only as industry summaries.

Data relating to operating costs of 300 retail shoe stores show that salaries and wages were the largest items of expense included in retailers' margins (table 47). Salaries of owners and officers averaged 31.6 percent and salaries and wages combined averaged 53.8 percent of the retailers' margins. Occupancy expenses averaged 18.2 percent; advertising costs, 6.1 percent; and profits, 6.7 percent of the gross margins. All other expenses averaged 15.2 percent of the gross margins. Total expenses and profits averaged somewhat larger in proportion to net sales for stores that sold 20 to 50 percent of their products on credit than for those that sold 90 percent or more for cash.

TABLE 47.—*Net sales, costs, and margins for shoe stores by credit policy, United States, 1939*

Item	Credit policy		
	All	Cash 90 or more percent	Credit 20 to 50 percent
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Net sales.....	100.0	100.0	100.0
Cost of goods sold.....	67.1	67.6	66.4
Gross margins.....	32.9	32.4	33.6
Total expenses.....	30.7	30.2	30.7
Salaries, owners and officers.....	10.4	10.8	10.4
Wages, all other employees.....	7.3	6.8	7.2
Occupancy.....	6.0	6.3	5.5
Advertising.....	2.0	1.8	2.1
Bad debt losses.....	.3	.2	.4
All other expenses.....	4.7	4.3	5.1
Profits.....	2.2	2.2	2.9
Concerns reported (number).....	300	154	70
Net sales, median per store (thousand dollars).....	22	18	31
Percentage of concerns profitable.....	67	66	70

Abstracted from or based on MITCHELL, WALTER, JR. (10). STANDARD RATIOS FOR RETAILING—GUIDES TO EFFICIENCY AND PROFITS IN 50 TRADES

The proportion of net sales of retail shoe stores accounted for by expenses and profits in 1939 varied irregularly with the population of the towns and cities in which the stores were located and with the annual volume of sales of the individual stores (table 48). Wages and salaries accounted on the average for a smaller proportion of net sales for stores in towns with less than 20,000 population than for those in cities with a population of more than 20,000. But the proportion of retailers' gross margins and of total expenses accounted for by salaries and wages averaged less for stores in the larger, than for those in the smaller, cities and towns. Profits for shoe stores in towns with less than 20,000 population increased with increases in annual volume of sales of individual stores, but the proportion of net sales accounted for by profits for stores in the larger cities averaged less for stores with the larger than for those with the smaller volumes of annual sales.

TABLE 48.—*Costs, expenses, and profits for retail shoe stores by size of towns or cities and by annual sales volume, United States, 1939*

TOWNS WITH LESS THAN 20,000 POPULATION

Annual sales volume	Concerns reported	Proportion of net sales represented by—					
		Cost of goods sold	Total expense	Salaries and wages	Occupancy expense	Other expense	Profit or loss (—)
	Number	Percent	Percent	Percent	Percent	Percent	Percent
Less than \$10,000.....	33	70. 0	30. 8	18. 7	7. 3	4. 8	—0. 8
\$10,000 to \$20,000.....	52	67. 4	30. 2	17. 8	6. 0	6. 4	2. 4
\$20,000 to \$30,000.....	34	68. 7	28. 7	16. 1	5. 0	7. 6	2. 6
\$30,000 to \$50,000.....	31	67. 9	29. 2	14. 8	5. 5	8. 9	2. 9
\$50,000 to \$300,000.....	11	67. 9	29. 0	16. 2	5. 0	7. 8	3. 1

CITIES WITH 20,000 TO 100,000 POPULATION

Less than \$20,000.....	18	65. 1	32. 5	17. 8	9. 4	5. 3	2. 4
\$20,000 to \$50,000.....	31	65. 6	32. 0	17. 8	6. 6	7. 6	2. 4
\$50,000 to \$300,000.....	23	66. 3	32. 7	18. 2	5. 9	8. 6	1. 0

CITIES WITH 100,000 POPULATION AND OVER

Less than \$20,000.....	29	62. 7	33. 1	20. 1	6. 4	6. 6	4. 2
\$20,000 to \$50,000.....	25	64. 2	33. 2	17. 4	6. 3	9. 5	2. 6
\$50,000 to \$300,000.....	13	67. 3	32. 0	16. 0	6. 2	9. 8	. 7

Abstracted from or based on MITCHELL, WALTER, JR. STANDARD RATIOS FOR RETAILING—GUIDES TO EFFICIENCY AND PROFITS IN 50 TRADES (10).

Data relative to typical margins and costs for merchandising shoes and small leather goods by department and specialty stores with annual volumes of sales of more than \$500,000, as reported by the National Retail Dry Goods Association, show a break-down of operating expenses somewhat different from that shown by Dun and Bradstreet, Inc. Selling expenses, most of which was accounted for by salaries, was the largest item of expense shown for department and specialty stores. During the 6 years 1939–44, selling expenses for department and specialty stores averaged 10.5 percent of net sales for men's and boys' shoes, 11.2 percent for women's and children's shoes, and 9.4 percent for small leather goods (table 49).

The proportion of net sales of men's and boys' shoes accounted for by other items of expense, during the 6 years 1939–44, averaged 7.4 percent for administration, 6.9 percent for occupancy, 4.2 percent for publicity, and 4.5 percent for buying. The corresponding proportions for women's and children's shoes and for small leather goods usually were somewhat less than those for men's and boys' shoes. The proportions of net sales accounted for by most of these items of expense decreased from 1939 to 1944. Profits during this 6-year period averaged 4.6 percent of net sales for men's and boys' shoes, 6.2 percent for women's and children's shoes, and 8 percent for small leather goods. These profits increased markedly from 1939 to 1944.

TABLE 49.—*Typical margins and costs for merchandising shoes and small leather goods by department and specialty stores with annual sales volume over \$500,000, United States, 1939-44*¹

Item	1939			1940			1941		
	Shoes		Small leather goods	Shoes		Small leather goods	Shoes		Small leather goods
	Men's and boys'	Women's and children's		Men's and boys'	Women's and children's		Men's and boys'	Women's and children's	
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	62.3	62.3	63.2	62.6	62.2	63.0	61.2	60.6	61.6
Operating expenses.....	35.9	36.7	33.7	36.2	35.7	33.1	34.3	35.2	31.7
Administrative.....	7.7	7.7	7.1	7.7	7.6	7.0	7.7	7.4	6.8
Occupancy.....	7.3	6.6	6.5	7.2	6.7	6.5	6.6	6.3	6.0
Publicity.....	4.9	5.3	4.7	4.7	5.1	4.5	4.5	4.7	4.1
Buying.....	4.4	4.8	4.2	4.7	4.6	4.2	4.4	4.6	4.1
Selling.....	10.8	11.9	10.7	10.9	11.7	10.6	11.1	11.7	10.0
Salaries.....	7.2	8.4	6.8	7.2	8.1	6.7	7.2	8.0	6.4
General.....	2.1	2.0	2.2	1.8	1.9	2.1	2.1	2.0	2.0
Delivery.....	1.2	1.1	1.3	1.0	1.1	1.2	1.2	1.0	1.0
Profit or loss (—).....	1.8	1.0	3.1	1.2	2.1	3.9	4.5	4.2	6.7

Item	1942			1943			1944		
Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	60.8	60.1	60.7	60.8	58.4	60.7	60.7	59.0	62.0
Operating expenses.....	33.5	32.7	29.2	32.7	30.6	26.2	31.6	29.0	26.6
Administrative.....	7.4	7.2	6.5	7.1	6.5	6.2	7.1	6.3	6.2
Occupancy.....	6.7	5.6	5.4	6.9	5.3	4.7	6.9	4.9	4.8
Publicity.....	4.2	3.7	3.5	3.7	3.2	3.0	3.5	3.1	3.4
Buying.....	4.3	4.4	3.8	4.5	4.2	3.5	4.5	4.2	3.6
Selling.....	10.5	10.9	9.0	10.0	10.7	8.0	9.8	10.3	8.2
Salaries.....	7.4	8.0	6.1	7.5	8.0	5.5	7.3	7.9	5.9
General.....	1.7	1.8	1.8	1.4	1.7	1.4	1.6	1.8	1.5
Delivery.....	.6	.7	.6	.4	.5	.4	.4	.3	.3
Profit or loss (—).....	5.7	7.2	10.1	6.5	11.0	13.1	7.7	12.0	11.4

¹ As each typical figure was selected independently of other figures for the same department, all figures may not be in exact mathematical relationship, as they would be if they were all from one store.

Adapted from reports of NATIONAL RETAIL DRY GOODS ASSOCIATION (10).

TABLE 50.—*Typical margins and costs of department stores for merchandising shoes and small leather goods, by annual volume of sales, United States, 1939*¹

Item	Annual sales volume of—								
	\$500,000 to \$1,000,000			\$1,000,000 to \$2,000,000			\$2,000,000 to \$5,000,000		
	Shoes		Small leather goods	Shoes		Small leather goods	Shoes		Small leather goods
	Men's and boys'	Women's and children's		Men's and boys'	Women's and children's		Men's and boys'	Women's and children's	
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	65.8	63.7	62.8	62.1	63.2	63.5	63.2	62.1	62.9
Operating expenses.....	40.0	37.6	32.8	35.8	36.9	34.2	35.3	35.5	33.0
Administrative.....	7.6	7.4	6.8	8.7	8.3	7.3	7.8	7.7	7.2
Occupancy.....	8.8	6.4	6.9	7.2	7.6	7.3	7.4	6.8	6.6
Publicity.....	5.9	6.1	4.3	4.0	5.2	5.0	4.7	4.7	4.6
Buying.....	4.0	5.5	4.0	3.8	4.7	3.9	4.3	4.8	4.1
Selling.....	13.4	12.0	9.8	11.1	11.5	11.3	10.8	11.2	9.8
Salaries.....	8.6	9.3	7.6	8.3	8.4	7.8	7.9	8.0	6.9
General.....	2.6	1.6	1.4	1.6	1.7	1.8	1.5	1.7	1.9
Delivery.....	2.1	.9	.8	.7	1.2	1.2	1.0	1.0	1.0
Profit or loss (—).....	—5.8	—1.3	4.4	2.1	—1.1	2.3	1.5	2.4	4.1

Annual sales volume of—

	\$5,000,000 to \$10,000,000			Over \$10,000,000			Simple average		
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net sales.....	100.7	62.3	63.1	60.6	61.6	62.9	62.7	62.6	63.0
Cost of goods sold.....	61.7	62.3	63.1	60.6	61.6	62.9	62.7	62.6	63.0
Operating expenses.....	36.3	36.6	33.2	34.8	37.3	34.0	36.4	36.8	33.4
Administrative.....	7.2	7.2	7.0	7.1	7.4	6.9	7.7	7.6	7.0
Occupancy.....	7.4	6.6	6.2	6.9	6.8	6.4	7.5	6.8	6.7
Publicity.....	5.5	5.5	4.4	4.9	5.2	4.5	5.0	5.3	4.6
Buying.....	5.5	4.7	4.3	4.4	4.5	4.1	4.4	4.8	4.1
Selling.....	10.3	11.8	10.6	11.1	12.4	11.5	11.3	11.8	10.6
Salaries.....	7.1	8.2	6.4	6.6	8.2	6.3	7.7	8.4	7.0
General.....	2.2	2.3	2.6	3.0	2.8	3.1	2.2	1.5	1.6
Delivery.....	1.0	1.0	1.2	1.3	1.3	1.7	1.2	1.1	1.2
Profit or loss (—).....	2.0	1.1	3.7	4.6	1.1	3.1	.9	.6	3.6

¹ As each typical figure was selected independently of other figures for the same department, all figures may not be in exact mathematical relationship as they would be if they were all from one store.

Adapted from a report of NATIONAL RETAIL DRY GOODS ASSOCIATION (11).

Operating expenses and profits of department stores for merchandising shoes and small leather goods vary irregularly with the annual volume of sales of the individual establishments (table 50). In 1939, for example, the typical proportion of net sales of men's and boys' shoes accounted for by total operating expenses was least for stores with annual sales of more than \$10,000,000 and greatest for stores with annual sales of \$500,000 to \$1,000,000. The corresponding proportion for women's and children's shoes was least for stores with annual sales of \$2,000,000 to \$5,000,000 and greatest for stores with annual sales of \$500,000 to \$1,000,000. For small leather goods, the proportion was least for stores with annual sales of \$500,000 to

TABLE 51.—*Average costs and margins for retailers of shoes, expressed as proportions of net sales, by kind of retailers, United States, 1936-39 and 1944 and 1945*

181 INDEPENDENT SHOE RETAILERS, SHOE DEPARTMENTS, AND RETAIL SHOE CHAINS

Item	1936	1937	1938	1939	1944	1945
	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent
Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	67.1	67.5	67.6	66.0	62.2	61.6
Gross margin.....	32.9	32.5	32.4	34.0	37.8	38.4
Operating expense.....	25.2	26.3	27.1	30.5	23.8	24.1
Net operating profit.....	7.7	6.2	5.3	3.5	14.0	14.3

163 INDEPENDENT SHOE RETAILERS

Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	66.5	66.4	66.3	66.0	62.2	61.6
Gross margin.....	33.5	33.6	33.7	34.0	37.8	38.4
Operating expense.....	28.6	29.2	30.5	30.5	23.8	24.1
Net operating profit.....	4.9	4.4	3.2	3.5	14.0	14.3

10 SHOE DEPARTMENTS OF DEPARTMENT STORES

Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	62.9	62.8	63.0	63.0	60.3	60.8
Gross margin.....	37.1	37.2	37.0	37.0	39.7	39.2
Operating expense.....	28.7	29.3	29.5	29.9	27.8	27.1
Net operating profit.....	8.4	7.9	7.5	7.1	11.9	12.1

8 RETAIL SHOE CHAINS

Net sales.....	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods sold.....	67.6	68.2	68.3	67.6	65.4	66.9
Gross margin.....	32.4	31.8	31.7	32.4	34.6	33.1
Operating expense.....	24.3	25.5	26.4	25.9	27.3	26.2
Net operating profit.....	8.1	6.3	5.3	6.5	7.3	6.9

Adapted from OFFICE OF TEMPORARY CONTROLS. SURVEY OF LEATHER TANNERS, SHOE MANUFACTURERS, AND WHOLESALE AND RETAIL SHOE DISTRIBUTORS (12).

\$1,000,000 and greatest for stores with annual sales of \$1,000,000 to \$2,000,000. The proportions of net sales accounted for by individual items of expense and by profits varied irregularly with annual volumes of sales of the individual establishments.

Data assembled by the Office of Price Administration show that gross margins for retailers of shoes increased from an average of less than one-third of net sales in the late 1930's to more than 38 percent in 1945 (table 51). The proportions of net sales accounted for by the retailers' gross margins averaged less for retail shoe chains than those for shoe departments in department stores and for independent shoe retailers. But net operating profits for independent shoe retailers increased relatively more during the early 1940's than those for retail chains and those for shoe departments of department stores (12).

Median profits to retailers of men's and women's shoes, as reported by Dun & Bradstreet, Inc., increased considerably from 1939 to 1943 (2). Net profits increased from 1.05 percent of net sales in 1939 to 3.1 percent in 1943 (table 52). These profits increased from 3.06 percent of tangible net worth in 1939 to 13.67 percent in 1943.

TABLE 52.—Median profits of retailers of men's and women's shoes as proportions of net sales and of tangible net worth, United States, 1939-43

Year	Concerns reported	Net profits ¹ as proportion of—	
		Net sales ²	Tangible net worth ³
	Number	Percent	Percent
1939.....	33	1. 05	3. 06
1940.....	36	1. 88	7. 15
1941.....	40	2. 64	10. 87
1942.....	43	2. 92	13. 56
1943.....	40	3. 10	13. 67
Average 1939-43.....	38	2. 32	9. 66

¹ Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures, and other assets of a fixed nature; after setting aside reserves for Federal income and excess-profit taxes; and reserves for renegotiation of war contracts; after reductions in the value of inventory to cost or market, whichever lower; after charge-offs for bad debts; and after all miscellaneous reserves and adjustments have been accounted for; but before dividends or withdrawals have been provided for.

² The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales, and after voluntary price deductions by war contractors.

³ The sum of all outstanding preferred stocks (if any) and outstanding common stocks, surplus, and undivided profits, minus intangible items in the assets, such as good will, trademarks, patents, copyrights, leaseholds, mailing lists, treasury stocks, organization expenses, and underwriting discounts and expenses.

Abstracted from a report by FOULKE, ROY A. NATIONAL THRIFT AND THE PUBLIC DEBT (2).

MEANS AND IMPORTANCE OF REDUCING COSTS

Means of reducing the costs of distributing leather products include methods of increasing the general efficiency of existing agencies, the concentration of services in the hands of agencies or combinations of agencies that can render them most efficiently, and reductions in "unnecessary" services. Improvements in the general efficiency of existing agencies involve problems of organization and operation, personnel selection and management, location of places of business, number and kinds of commodities handled, volume of operation, and purchase and sales policies, among others. Available information relating to the various phases of the problems involved is so limited that the extent to which it would be feasible to increase the efficiency and to reduce the costs of distributing these products by improvements in general efficiency of existing establishments cannot be indicated. A classification of operating expenses according to functions and by objects of expenditure and a careful analysis of these expenses would be of assistance.

Information relating to operating results of existing agencies indicate that the margins or costs might be reduced considerably by concentrating a larger proportion of the services in the hands of the larger and more efficient establishments. The possibility of reducing operating expenses of wholesalers, for example, by increasing the volume of business appears to be supported by census data for the wholesale trade in 1939. These data show that wholesalers' margins for leather and shoe findings averaged less than 7 percent of total sales for establishments with annual sales of \$1,000,000 or more and about 18 percent for establishments with annual sales of less than \$100,000. Wholesalers' margins for shoes and other footwear averaged about 12 percent of total sales for establishments with annual sales of \$1,000,000 or more and about 16 percent for establishments with annual sales of less than \$50,000. For other leather goods, the wholesalers' margins averaged about 15 percent of total sales for establishments with annual sales of \$300,000 and about 27 percent for those with annual sales of less than \$50,000 (18).

Information relating to operating expenses of wholesale dry goods houses for the 8 years 1938-45 shows that total operating expenses per dollar of sale for houses with annual volumes of sale of less than \$500,000 averaged 19 percent greater than those with annual sales of more than \$2,000,000. Although factors other than differences in size may also be involved, it would appear reasonable to assume that these differences in operating expenses may be attributed, in part at least, to differences in efficiency arising from differences in volume of sales. If this assumption is justified, it would appear that per unit costs might be reduced by increasing the proportion of the total volume handled by the larger wholesalers or by increasing the volume handled by the smaller ones.

Large retail distributive organizations—such as mail-order houses, department-store chains, and large specialty retail chains—are said to have demonstrated their ability to handle large-volume items on relatively small margins (8). Some of the economies may be attributed to the elimination of one sales-purchase transaction by these retailers obtaining their products directly from manufacturers. In

1939, according to census reports, about 53 percent of the footwear (except rubber); 80 percent of women's pocketbooks, handbags, and purses; 61 percent of the small leather goods; and 71 percent of the suitcases, briefcases, bags, trunks, and other luggage were distributed from manufacturers directly to retailers, including chains. Part of the economies may be attributed to savings from handling large volumes. Additional saving may be made through further integration and through increases in volumes.

The efficiency of the smaller retailers may be increased by expansions in the activities of larger organizations which provide purchasing and merchandising services to the smaller independently owned stores (8), thus securing for them better selections of merchandise, improved control of stock, and increased rate of turn-over. Increased efficiency would probably react favorably on the level of prices to consumers and expand market outlets for leather products.

Combinations of two or more of the successive links in the chain of manufacturing and distributing leather and leather products may represent an important means of achieving production and distributive economies, and a closer linkage between production planning and ultimate consumer markets (8). Such integration may afford better control of the quality of the finished goods and facilitate sales through standardization of products, branding or informative labeling, and educational advertising. Experiences before the war indicated both possibilities of and limitations to integration. Price and production regulations during the war were said to be favorable in certain respects to the extension of unified control for some industries (8), and recent announcements of important mergers are said to indicate continuing and perhaps growing interests in the possibilities of further combinations (8).

Advertising is generally recognized as effective in expanding market outlets for particular makes or brands, as well as the total for all leather products. Increases in volume may make possible some reductions in average per unit costs of distribution. Perhaps the least effective advertising, for the industry as a whole, is that designed mainly to induce consumers to use one particular brand or make, instead of another of about the same quality—generally referred to as competitive advertising.⁷ In recent years typical costs of publicity (mostly advertising) for merchandising shoes and small leather goods by department and specialty stores averaged about 4 percent of net sales.

Results of a recent survey of 70 department stores in the western part of the United States, made by N. H. Comish (1), indicate that, of 69 store executives who reported on advertising, 34 or about one-half indicated an intention to increase their advertising expenditures in the postwar period over those in prewar years by as much as 2.5 percent of net sales, on the average. Out of 68 replies to the question on display, 44 stores, or about 65 percent, indicated plans to increase expenditures for displays over those of prewar days by as much as 1.7 percent of net sales, on the average (1).

⁷ UNITED STATES FEDERAL TRADE COMMISSION. DISTRIBUTION METHODS AND COSTS. PT. V, ADVERTISING AS A FACTOR IN DISTRIBUTION. 9 pp. 1944. [Processed.]

Developments during late years indicate that retailers' margins for leather products might be reduced considerably by simplifying the selling process so as to encourage some degree of self-selection and self-service by customers. This may be facilitated by open display of merchandise, arranged on the basis of the customers' primary interests, and by arrangements for making payment at a convenient desk set up for that purpose (4). The feasibility of simplifying the selling process has been demonstrated in actual practice. It was pointed out by Wolf that self-service grocery stores freed the consumer from the slow process of depending upon the clerk to assemble her purchases; that variety stores have demonstrated the expandibility of consumer demand as a result of merchandise display; that department-store chains have extended the principle of open display to many additional commodities; and that ready-to-wear specialty stores are now displaying merchandise by size.

The Harvard Bureau of Business Research made a survey of department stores in 1943 and in 1944 to find out how extensively store executives were experimenting with self-service and self-selection and what their plans were for the future (9, 14). The results show that of 170 stores surveyed in 1943 and 179 in 1944 for which information was supplied, 17 percent used self-service or self-selection methods in one or more departments in 1943 and 15 percent used these methods in 1944. Of the 114 stores surveyed in 1943 and the 127 stores in 1944 for information on plans for the future, 9 percent of those reporting in 1943 indicated plans to extend self-service and self-selection methods and only about 4 percent of those reporting in 1944 indicated any intention of making new applications of self-service techniques. Self-service and self-selection have been used in selling shoes, men's furnishings, boys' wear and underwear, infants' wear, children's wear, sportswear, linens, curtains, towels, and other products.

Self-service and self-selection methods make possible reductions in retail margins mainly by reducing the pay rolls, which average about one-half of total operating expenses of retailers. Information is not adequate for accurate appraisals; but indications are that, by the use of self-service, operated under favorable conditions, retailers' margins for some products might be reduced by 10 percent or more. Accurate labeling to show the quality and size of the products, on the basis of adequate standards, would facilitate self-service. These and other economies in retailing would allow substantial reductions in costs of distributing leather products, to the advantage of producers of hides and skins and of consumers of the leather products.

Some indication of the importance of reducing these costs may be obtained from data showing that margins for wholesaling and retailing leather products in recent years averaged about 40 percent of the retail price of the finished goods, about three times as much as the returns to producers for the hides and skins used and 16 percent less than the combined costs of manufacturing the leather and leather products. Retailers' margins alone averaged about one-third of the retail price of the finished leather goods and about 2.5 times the costs of the hides and skins used.

SUMMARY AND CONCLUSIONS

Information relating to marketing and manufacturing margins for hides and skins, leather, and leather products is basic to the most effective treatment of the problems of increasing efficiency and of reducing costs. These margins cover the charges for rendering such services as assembling, selling, and processing hides and skins, and storing, financing, manufacturing, transporting, wholesaling, and retailing leather and leather products. The relative importance of these charges may be indicated by data showing that, in 1939, the average margins, for assembling hides, tanning and finishing the leather, and manufacturing and distributing leather footwear, for example, averaged about seven-eighths of the costs to consumers of the finished products and were about seven times as great as the costs of the hides and skins used.

Most of the cattle hides and calf and kip skins that enter marketing channels in the United States are produced in this country, but most of the sheep, lamb, goat, and kid skins are imported. Exports of hides and skins from the United States account for only a small proportion of total disappearance. Leather used by leather-products manufacturers in this country is confined mainly to that tanned, curried, and finished by domestic tanners. Only a small proportion of the leather produced in this country is exported. Most of the cattle-hide leather and substantial proportions of the calf, kip, kid, sheep, and lamb leathers are used in the manufacture of shoes.

Estimates, based on official and other data and on other information, have been made to show the average distribution of the consumer's dollar paid for shoes—the principal leather product—in 1939 which was the last "normal" prewar year. Data for the agencies and services available for this purpose are not complete, and in some instances they are not strictly comparable. Therefore, some liberties were taken in approximating average margins on the basis of this information. The results show that, on the average in 1939, about 13.7 percent of the consumer's dollar was accounted for by costs to the tanners of the hides and skins used, 10.2 percent went to tanners for tanning the hides and skins and currying and finishing the leather, 36.2 percent went to manufacturers, 4.7 percent to wholesalers, and 35.2 percent to retailers.

Margins for the different agencies were broken down to show the relative importance of the cost items included. The grouping of these items varied considerably from one agency to another and some liberties were taken in estimating and combining the cost items. The results indicate that in 1939 about 47 percent of the consumer's dollar paid for shoes was accounted for by wages and salaries paid by manufacturers and distributors of leather and leather products, 3.3 was accounted for by costs of advertising, and about 28 percent was accounted for by other costs of the agencies. Profits to these agencies accounted for about 7.4 percent of the retail price.

Marketing and manufacturing margins, as estimated for 1939, were projected forward to 1946 and backward to 1935, on the basis of indexes of wholesale prices of hides and skins, leather, and shoes, and of retail prices of shoes, as reported by the Bureau of Labor Statistics.

The results show that during the 12-year period 1935-46, the proportions of the consumer's dollar paid for shoes that was accounted for by manufacturers' and distributors' margins varied inversely with prices of hides and skins, averaged about 85 percent, and ranged from 82 percent in 1937 to 88 percent in 1938. The proportions accounted for by tanners' margins have apparently decreased and those accounted for by wholesalers' and retailers' margins have apparently increased somewhat since 1941.

Tanners' margins, or the spread between the costs of the hides and skins used and the value of the products, averaged about 42.5 percent of the value of the products in 1939. These proportions have decreased somewhat with advancing prices in recent years. Wages and salaries accounted for about 18 percent of the value of the products and 52 percent of the tanners' gross margin in 1939. Manufacturing wages alone accounted for 15 percent of the value of the products and 42 percent of the tanners' margin. Increases in wages in the tanning industry have been relatively greater than increases in productivity of the labor, and labor costs per unit have increased. Selling and advertising expenses averaged 3.6 percent and profits averaged 4.4 percent of the value of the products in 1939, and these proportions have been reduced in recent years.

Margins for manufacturers of leather products—or the spread between the values of the products and the costs of materials, supplies, and containers—in 1939, averaged about 46 percent of the value of the products for all products combined, and 48 percent for shoes. Leather costs accounted for about 42 percent of total costs to manufacturers of shoes in 1939 and this proportion has increased since then. Salaries and wages make up the largest item included in manufacturers' margins. In 1939, according to census reports, salaries and wages accounted for 28.5 percent of the total value of all leather products combined and 62 percent of the manufacturer's gross margin. Similar data for shoes show that salaries and wages accounted for 30 percent of the value of the products and 63 percent of the manufacturers' margins. Labor costs per unit have increased. Operating profits of 211 shoe manufacturers averaged 6.4 percent of net sales during the 10 years 1936-45 and ranged from 3.8 percent in 1938 to 9 percent in 1943.

Operating expenses for wholesalers, as indicated by census reports for 1939, averaged about 13 percent of net sales for leather and shoe findings and for shoes and other footwear. The proportions for other leather goods averaged about 20 percent of sales. Margins for the larger wholesalers usually were smaller than those for the smaller wholesalers. Administrative and selling expenses are the most important items of costs. The proportions of net sales accounted for by selling, general, and administrative expenses have decreased, and the proportions accounted for by profits have increased, in recent years.

Retailers' margins for leather products averaged about one-third of the retail price. These margins vary with the kind and price of the article, the population of the towns or cities in which the retailers operate, and the type of retail establishment. Salaries and wages account for more than one-half of the retailers' margins. In 1939, occupancy expense accounted for about 6 percent, advertising 2.2 percent, and operating profits 3.2 percent of net sales. The propor-

tions of expense for occupancy decreased and that for operating profits increased in the early 1940's.

These data on margins and costs for the agencies, along with other information, were used as a basis for indicating the means by which and the extent to which it would appear feasible to reduce these margins, and the relative importance of such reductions. The means suggested for making these reductions apply to specific agencies, functions, or items and, in a number of instances, possibilities for bringing about considerable reductions are indicated.

It was pointed out, for example, that the efficiency of tanners and of manufacturers of leather products could be improved and their margins could be reduced by the installation of new and improved machinery and other equipment in well-designed and modernized plants that are organized and operated in accordance with the most improved methods. In addition, plans should be worked out for obtaining adequate and dependable supplies of suitable materials and labor. Adjustments in production would be needed to even out seasonal and year-to-year quantities of products turned out, so as to give more uniform employment and to utilize more efficiently the available labor and facilities. Such adjustments might be facilitated through joint manufacturer and distributor cooperation in planning a more uniform movement of the products through channels of distribution.

Several means may be employed for reducing margins of wholesalers and retailers. They include methods of increasing the general efficiency of existing agencies, the concentration of the services in the hands of agencies or combinations of agencies that can render them most efficiently, and reductions in the "unnecessary" services. Improvements in the general efficiency of existing agencies involve problems of organization and operation, personnel selection and management, location of places of business, number and kinds of commodities handled, volume of operation, and purchase and sales policies, among others.

The relative importance of reductions in manufacturing and distribution costs for leather and leather products may be indicated by data showing that a reduction of 10 percent, for example, in these combined margins would amount to about two-thirds of the returns to producers for the hides and skins used and to about 8 percent of the costs of the finished goods to consumers. But it is not known to what extent such reductions in margins would be reflected in lower prices to consumers of the finished products, on one hand, and in higher prices to producers of hides and skins, on the other.

Data showing the distribution of the consumer's dollar paid for leather products may serve as a basis for indicating the relative importance of bringing about increased efficiency and reductions in margins for the various agencies and functions involved. Although differences in the size of the margins for the agencies and functions are important considerations, they may not reflect accurately the relative opportunities for making savings in costs that can be passed back to producers of hides and skins or on to consumers of leather products. But data which show the distribution of the consumer's dollar for leather products may be used to advantage in apportioning the efforts to increase efficiency and to reduce costs more nearly on the basis of the relative importance of the agencies and functions involved. Data on

the items of costs included in the margins for the various agencies may serve as a basis for dealing with the problems of increasing the efficiency and reducing the margins of these agencies.

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